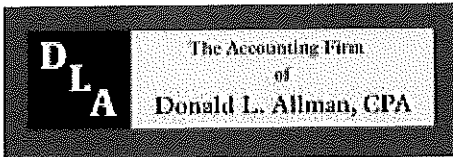


VILLAGE OF SALADO, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

VILLAGE OF SALADO, TEXAS
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Donald L. Allman, CPA, PC
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Liberty Hill, Texas 78642
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CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

To the Honorable Mayor
And Members of the Board of Alderman
Village of Salado, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Salado, Texas as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Village of Salado, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Salado, Texas, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village of Salado, Texas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note O, the Village of Salado had a tax rate election in May 2025, but that did not have a significant impact on their 2025 General Fund Budget.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village of Salado, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Salado, Texas' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

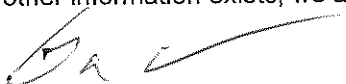
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Donald L. Allman, CPA, PC

Liberty Hill, Texas
March 9, 2026



**VILLAGE OF SALADO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

As management of the Village of Salado, Texas ("the Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended September 30, 2025. We encourage readers to consider information presented here in conjunction with additional information that we have furnished in the Village's financial statements, which follow this narrative.

Financial Highlights:

- The assets of the Village of Salado exceeded its liabilities as of September 30, 2025, by \$12,682,177 (Net Position).
- The Village's total net position increased by \$322,959 during the year. The General Fund had net income of \$662,149 and the Wastewater Utility Fund had a net loss of \$(339,190).
- The Wastewater Utility Fund had net income of \$84,200 before depreciation expense of \$423,390.
- The General Funds on a Governmental Funds basis had net income of \$949,285 and Total Fund Balance of \$2,151,247.

Overview of Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Village of Salado's basic financial statements. The Village's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes additional supplementary information in addition to the basic financial statements.

Government-wide Financial Statements – The Government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Village's assets and liabilities, with the difference between the two reported in net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. This statement combines and consolidates governmental funds current financial resources (short-term spendable resources), capital assets, and long-term liabilities of the Village.

The Statement of Activities presents information showing how the Village's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Village uses two fund type – governmental and proprietary (business-type).

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources. The governmental fund statements provide a detailed short-term view of the Village's general government operations and help you determine whether resources are available in the near future to finance Village programs. Comparing the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements will help the readers to better understand the long-term impact of the government's near-term financing decisions. The governmental fund balance sheet and statement of revenues, expenditures, and changes in net position provide a reconciliation to facilitate this comparison.

**VILLAGE OF SALADO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

The Village adopts an annual appropriated budget for its general fund and proprietary fund. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis:

As noted earlier, net position may serve over time as a useful indicator of the Village's financial position. As of September 30, 2025, the Village's net assets exceeded liabilities by \$12,682,177.

A portion of the Village's net position \$1,190,608, reflects its unrestricted net assets which are available for spending at the Village's discretion.

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current Assets	\$ 3,482,226	\$ 1,942,042	\$ 355,694	37,856	\$ 3,837,920	\$ 1,979,898
Other Assets	-	9,186	-	-	-	9,186
Capital Assets (Net)	8,429,729	8,599,853	9,866,296	10,289,686	18,296,025	18,889,539
Total Assets	\$ 11,911,955	\$ 10,551,081	\$ 10,221,990	10,327,542	\$ 22,133,945	20,878,623
Deferred Outflows of Resources	36,125	115,630	-	-	36,125	115,630
Current Liabilities	\$ 1,541,554	\$ 1,419,746	\$ 699,492	638,343	\$ 2,241,046	2,058,089
Long-Term Liabilities	1,308,645	166,816	5,770,000	6,350,000	7,078,645	6,516,816
Total Liabilities	\$ 2,850,199	\$ 1,586,562	\$ 6,469,492	6,988,343	\$ 9,319,691	8,574,905
Deferred Inflows of Resources	168,202	60,130	-	-	168,202	60,130
Net Position:						
Invested in Capital Assets	\$ 6,797,382	\$ 8,415,181	\$ 3,516,296	3,369,686	\$ 10,313,678	11,784,867
Restricted	500,852	570,211	677,039	93,211	1,177,891	663,422
Unrestricted	1,631,445	34,627	(440,837)	(123,698)	1,190,608	(89,071)
Total Net Position	\$ 8,929,679	\$ 9,020,019	\$ 3,752,498	3,339,199	\$ 12,682,177	12,359,218

Governmental activities increased the Village's net position by \$662,149 in 2025. The following table provides a comparison of the Village's operations for the year ended September 30, 2025 to the year ended September 30, 2024.

**VILLAGE OF SALADO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Program Revenues:						
Charges for Services	\$ 517,187	\$ 435,535	\$ 859,331	304,688	\$ 1,376,518	\$ 740,223
Operating Grants and Contributions						
Capital Contributions		5,116,039		1,014,606		6,130,645
General Revenues:	\$ -				-	-
Ad Valorem Taxes	2,026,862	2,887,874	-	-	2,026,862	2,887,874
Sales Taxes	1,008,646	-	-	-	1,008,646	-
Franchise Fees	247,378	-	-	-	247,378	-
Hotel Occupancy Tax	274,409				274,409	
Mixed Beverage Taxes	61,342	-	-	-	61,342	-
Court Fines and fees	88,276	-	-	-	88,276	-
General Grants	-	350,373	-	-	-	350,373
Investment Earnings	16,072	43,375	3,459	4,219	19,531	47,594
Other Revenues	64,294	91,326	19,864	-	84,158	91,326
Total Revenues	\$ 4,304,466	\$ 8,924,522	\$ 882,654	1,323,513	\$ 5,187,120	\$ 10,248,035
Expenses:						
General Government	\$ 1,836,039	\$ 1,167,753	\$ -	-	\$ 1,836,039	\$ 1,167,753
Development Services	285,992	204,541			285,992	204,541
Municipal Court	64,051	32,488	-	-	64,051	32,488
Police, Fire & EMS	915,251	959,101	-	-	915,251	959,101
Streets	409,756	299,709	-	-	409,756	299,709
Total Pension Expense	24,801	-	-	-	24,801	-
Public Works	46,476	74,978	-	-	46,476	74,978
Parks	59,951	32,779	-	-	59,951	32,779
Wastewater Utility	-	-	1,221,844	979,362	1,221,844	979,362
Interest expense		9,418				9,418
Total Expenses	\$ 3,642,317	\$ 2,780,767	\$ 1,221,844	979,362	\$ 4,864,161	\$ 3,760,129
Change in Net Position	\$ 662,149	\$ 6,143,755	\$ (339,190)	344,151	\$ 322,959	\$ 6,487,906
Transfer	(752,489)	(702,120)	752,489	702,120	-	-
Prior Period Adjustment	-				-	
Net Position Beginning	\$ 9,020,019	\$ 3,578,384	\$ 3,339,199	2,292,928	\$ 12,359,218	\$ 5,871,312
Net Position Ending	\$ 8,929,679	\$ 9,020,019	\$ 3,752,498	3,339,199	\$ 12,682,177	\$ 12,359,218

**VILLAGE OF SALADO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Financial Analysis of the Government's Funds:

General Fund – The Village utilizes a general fund to account for the basic services provided to citizens by the Village. At September 30, 2025, the Village's general fund reported an ending net position of \$8,929,679. Of this balance, \$1,631,445 constitutes undesignated, unreserved net position which is available for spending at the Village's discretion. During the current fiscal year, General Fund net position decreased by \$(90,340) after transfers.

Proprietary Fund – The Village utilizes the proprietary fund to account for the receipt of revenues and expenditures of Wastewater Utilities relating to the operation of the Wastewater Treatment Facility and the bond proceeds and expenditures relating to the future development of a new wastewater collection system and treatment plant. As of September 30, 2025, the Village's Proprietary Fund reported an ending fund balance of \$3,752,498.

Capital Assets:

The Village's investment in capital assets for its governmental activities as of September 30, 2025 amounts to \$8,255,358 (net of accumulated depreciation) in the general fund and \$9,866,296 in the business-type fund. The investment in capital assets includes infrastructure, equipment, vehicles, land, and buildings. The following table summarizes the Village's investment in fixed assets.

	Village of Salado Capital Assets					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
Land	45,577	45,577	-	-	45,577	45,577
Buildings and Improvements	384,594	384,594	-	-	384,594	384,594
Infrastructure	8,077,732	7,038,520	12,285,516	12,285,516	20,363,248	19,324,036
Equipment	1,489,261	1,403,476	5,857	5,857	1,495,118	1,409,333
Construction in Progress	-	942,782	-	-	-	942,782
Less: Accumulated Depreciation	(1,741,806)	(1,215,096)	(2,425,077)	(2,001,687)	(4,166,883)	(3,216,783)
Net Capital Assets	<u>8,255,358</u>	<u>8,599,853</u>	<u>9,866,296</u>	<u>10,289,686</u>	<u>18,121,654</u>	<u>18,889,539</u>

Long-Term Liabilities

For the fiscal year ended September 30, 2025 activity related to long-term liabilities is as follows:

	Village of Salado Long -Term Debt					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
Bonds Payable	1,350,000	-	6,350,000	6,920,000	7,700,000	6,920,000
Notes Payable	107,976	184,672	-	-	107,976	184,672
Total Long-Term Debt	<u>1,457,976</u>	<u>184,672</u>	<u>6,350,000</u>	<u>6,920,000</u>	<u>7,807,976</u>	<u>7,104,672</u>

**VILLAGE OF SALADO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Economic Factors and Next Year's Budget:

For the 2025-2026 fiscal year, the Village of Salado increased the property tax rate from \$0.3612 to \$0.4231. This will increase property tax revenues by \$84,287. The overall revenue budget for the General Fund for fiscal year 2025-2026 is \$2,574,400, an increase of \$28,100. The overall expenditure budget for the General Fund for fiscal year 2025-2026 is \$2,374,400, for a surplus of \$200,000. For the Wastewater and Interest Sinking fund, the 2025-2026 Budget calls for revenues of \$1,408,688 and expenditures of \$1,345,188, for a surplus of \$63,500.

Request for Information:

The financial report is designed to provide our citizens, investors, and creditors with a general overview of the Village's finances. If you have any questions about this report or need any additional information, please contact the Village at (254) 947-5060 or visit the Village's website at www.salado-tx.gov.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**VILLAGE OF SALADO, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025**

Primary Government

<u>ASSETS:</u>	Governmental	Business-Type	Total
	<u>Activities</u>	<u>Activities</u>	
Current Assets:			
Cash and Cash Equivalents	\$ 1,196,224	\$ 492,351	1,688,575
Ad Valorem Tax Receivable (Net)	35,472	-	35,472
Internal Balances	166,319	(166,319)	-
Other Receivables	264,474	29,662	294,136
Prepaid Expenses	2,500		2,500
Restricted Cash	1,817,237		1,817,237
Total Current Assets	\$ 3,482,226	\$ 355,694	3,837,920
Non-Current Assets:			
Net Pension Asset	174,371	-	174,371
Capital Assets, net of depreciation	8,255,358	9,866,296	18,121,654
Total Non-Current Assets	\$ 8,429,729	\$ 9,866,296	18,296,025
Total Assets	\$ 11,911,955	\$ 10,221,990	22,133,945
DEFERRED OUTFLOWS			
Deferred Outflows Pension	21,980		21,980
Deferred Outflows OPEB	14,145		14,145
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	\$ 159,838	\$ 63,471	223,309
Accrued Expenses	51,524	21,261	72,785
Deposits	1,084,145	34,760	1,118,905
Current Portion, Notes Payable	81,047	-	81,047
Current Portion, Bonds Payable	165,000	580,000	745,000
Total Current Liabilities	\$ 1,541,554	\$ 699,492	2,241,046
Non Current Liabilities:			
Long-term Debt, Notes Payable	26,929	-	26,929
Long-term Debt, Bonds Payable	1,185,000	5,770,000	6,955,000
Net OPEB Liability	61,249		61,249
Compensated Absences Payable	35,467	-	35,467
Total Non-Current Liabilities	\$ 1,308,645	\$ 5,770,000	7,078,645
Total Liabilities	\$ 2,850,199	\$ 6,469,492	9,319,691
Deferred Inflows of Resources Pension	150,366	-	150,366
Deferred Inflows of Resources OPEB	17,836		17,836
<u>NET POSITION</u>	\$ -		
Invested in Capital Assets	\$ 6,797,382	\$ 3,516,296	10,313,678
Restricted:	500,852	677,039	1,177,891
Unrestricted	1,631,445	(440,837)	1,190,608
Total Net Position	\$ 8,929,679	\$ 3,752,498	12,682,177

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

**VILLAGE OF SALADO, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental
Primary Government:					
Governmental Activities:					
General Government	\$ 1,836,039	\$ 517,187	\$ -	\$ -	\$ (1,318,852)
Developmental Services	285,992				285,992
Municipal Court	64,051	88,276	-	-	24,225
Police, Fire & EMS	915,251	-	-	-	(915,251)
Streets	409,756	-	-	-	(409,756)
Public Works	46,476	-	-	-	(46,476)
Parks	59,951	-	-	-	(59,951)
Total Pension Expense	24,801	-	-	-	(26,242) 1,441
Total Primary Government:	\$ 3,642,317	\$ 605,463	\$ -	\$ -	\$ (3,036,854) 1,441
Business-Type Activities:					
Wastewater Utility	1,221,844	859,331			(362,513)
General Revenues:					
Taxes:					
Ad Valorem Taxes					\$ 2,026,862 -
Sales Taxes					1,008,646
Hotel Occupancy Tax					274,409 -
Franchise Fees					247,378
Mixed Beverage Taxes					61,342
Other Income					64,294 19,864
Investment Earnings					16,072 3,459
Total General Revenues					\$ 3,699,003 23,323
Change in Net Position					\$ 662,149 (339,190)
Transfers					(752,489) 752,489
Prior Period Adjustment					-
Net Position - Beginning					\$ 9,020,019 3,339,199
Net Position - Ending					\$ 8,929,679 3,752,498

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

FUND FINANCIAL STATEMENTS

**VILLAGE OF SALADO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025**

	Village of Salado General Fund	Hotel Tax Fund	Capital Projects Fund	Debt Service Fund	Total General Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,191,070	\$ 407,374	\$ 1,316,385	\$ 87,399	\$ 3,002,228
Investments	5,111	6,122	-	-	11,233
A/R-Taxes	35,472	20,062			55,534
Accounts Receivable	230,309	14,103			244,412
Due from Other Funds	182,447	-		-	182,447
Prepaid Expenses	2,500				2,500
Total Assets	\$ 1,646,909	\$ 447,661	\$ 1,316,385	\$ 87,399	\$ 3,498,354
LIABILITIES & FUND BALANCE					
Accounts Payable & Accrued expenses	159,175	663	-		159,838
Due to Other Funds	-	16,128	-	-	16,128
Deferred Revenue - Ad Valorem Taxes	35,472	-	-	-	35,472
Deposits	1,084,145				1,084,145
Economic Incentive Payments		51,524			51,524
Total Liabilities	1,278,792	68,315	-	-	1,347,107
Fund Balances:					
Nonspendable	2,500				2,500
Restricted for:					
Debt Service				87,399	87,399
Trolley Project		2,555			2,555
Hotel Tax fund		376,791			376,791
Court Funds	15,107		-	-	15,107
Opiods	2,160				2,160
Park Improvements	16,840				16,840
Unassigned Fund Balance	331,510	-	1,316,385	-	1,647,895
Total Fund Balance	368,117	379,346	1,316,385	87,399	2,151,247
Total Liabilities & Fund Balance	\$ 1,646,909	\$ 447,661	\$ 1,316,385	\$ 87,399	\$ 3,498,354

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

**VILLAGE OF SALADO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025**

Total Fund Balances - Governmental Funds	\$ 2,151,247
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$9,997,164 and the accumulated depreciation was \$(1,741,806). The net effect of including the balances for capital assets (net of depreciation) in the governmental activities is to increase net position.	\$ 8,255,358
Deferred Outflows of Resources are not recognized in Governmental Funds	(17,178)
Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected. Deferred property taxes not collected within 60 days.	\$ 35,472
Accounts payable for Capital Outlay items removed from Governmental Funds	
The Net Pension Asset is not recognized in Governmental Funds accounting	\$ 174,371
Deferred Inflows of Resources are not recognized in Governmental Funds	\$ (150,366)
Notes Payable and Bonds Payable are not included in Governmental Funds	\$ (1,457,976)
The OPEB Pension Liability is not recognized in Governmental Funds accounting	(61,249)
Net Position of Governmental Activities	\$ 8,929,679

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

VILLAGE OF SALADO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Village of Salado General Fund	Hotel Tax Fund	Capital Projects Fund	Debt Service Fund	Total General Funds
REVENUES					
Ad Valorem Taxes	2,021,399				2,021,399
Sales Taxes	1,069,988	-	-	-	1,069,988
Occupancy Tax	-	274,409	-	-	274,409
Franchise Fees	247,378	-	-	-	247,378
Licenses & Permits	378,015				378,015
Grants & Donations	-				-
Charges for Services	139,172				139,172
Court Fines, Penalties and Fees	88,276				88,276
Interest Income	13,552		2,520	-	16,072
Other Income	46,004	18,290		-	64,294
Total Revenues	4,003,784	292,699	2,520	-	4,299,003
EXPENDITURES					
General Government	980,010	-	-	-	980,010
Development Services	285,992				285,992
Police, Fire & EMS	817,454				817,454
Municipal Court	64,051				64,051
Streets	61,413				61,413
Public Works	46,476				46,476
Parks	6,500				6,500
Property Tax refunds	487,760				487,760
Hotel Motel Fund expenses		294,312			294,312
Bond Issuance fees			36,135		36,135
Capital Outlay	182,215				182,215
Debt Service: Principal				76,696	76,696
Debt Service: Interest	-	-	-	10,704	10,704
Total Expenditures	2,931,871	294,312	36,135	87,400	3,349,718
Excess (Deficiency) of Revenue Over Expenditures	1,071,913	(1,613)	(33,615)	(87,400)	949,285
Other Financing Sources					
Loan Proceeds			1,350,000		1,350,000
Operating Transfers In (Out)	(774,840)	-	-	22,351	(752,489)
Excess of Revenues and Other Sources Over Expenditures and Other Uses	297,073	(1,613)	1,316,385	(65,049)	1,546,796
Fund Balances, Beginning of Year	71,044	380,959	-	152,448	604,451
Fund Balances, End of Year	\$ 368,117	\$ 379,346	\$ 1,316,385	\$ 87,399	\$ 2,151,247

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

VILLAGE OF SALADO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Total Net Change in Fund Balances - Governmental Funds	\$	949,285
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2017 capital outlays is to increase net position.	\$	182,215
Total Pension Expense is not included in Governmental Funds		(24,801)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	\$	(526,710)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recording the current change in other receivables. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	\$	1
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes not collected \$35,472		5,463
Less prior year \$(30,009)		76,696
Principal payments are not expenses for Governmental Activities		
Change in Net Position of Governmental Activities	\$	662,149

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

Village of Salado
Statement of Net Position – Proprietary Funds
For the Year Ended September 30, 2025

	Business-Type Activities Wastewater Utility Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 492,351
Customer Receivables	29,662
Total Current Assets	522,013
Non-Current Assets:	
Property and Equipment (net)	9,866,296
Total Assets	\$ 10,388,309
Liabilities	
Current Liabilities:	
Accounts payable	63,471
Accrued Expenses	10,304
Accrued Interest	10,957
Due to Other Funds	166,319
Customer Deposits	34,760
Current Portion of Long-Term Debt	580,000
Total Current Liabilities	865,811
Long-term Liabilities	
Long-term Debt	5,770,000
Total Long-Term Liabilities	5,770,000
Total Liabilities	6,635,811
Net Position	
Net Investment in Capital Assets	3,516,296
Restricted for Bond debt service	677,039
Unrestricted net position	(440,837)
Total Net Position	3,752,498
Total Liabilities and Net Position	\$ 10,388,309

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

Village of Salado
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
For the Year Ended September 30, 2025

	Business-Type Activities Enterprise Fund
Revenues	
Charges for Utility Service	\$ 459,158
Miscellaneous	19,864
Total Revenues	479,022
Expenses	
Administration	144,325
Professional Services	21,708
Repairs & Maintenance	258,525
Utilities	104,508
Miscellaneous	137,908
Depreciation & Amortization	423,390
Total Expenses	1,090,364
Net Operating Income (Loss)	(611,342)
Non-Operating Revenue and (Expenses)	
Impact Fees	400,173
Capital Contribution	
Interest expense	(131,480)
Interest income	3,459
Total Non-Operating Revenue and (Expenses)	272,152
Net Income (Loss)	(339,190)
Total Net Position, Beginning of Year	3,339,199
Transfers	752,489
Total Net Position, End of Year	\$ 3,752,498

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

Village of Salado
Statement of Cash Flows – Proprietary Funds
For the Year Ended September 30, 2025

	Business-Type Activities Enterprise Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 870,467
Payments to suppliers	(1,066,553)
Payments to employees	-
Net cash provided (used) by operating activities	(196,086)
Cash Flows from Capital and Related Financing Activities	
Transfer from General Fund	752,489
Acquisition of capital assets	-
Net cash provided (used) by capital and related financing activities	752,489
Cash Flows from Investing Activities	
Impact Fees	400,173
Principal Payments	(570,000)
Interest Expense	(131,480)
Interest on Investments	3,459
Net cash provided (used) by investing activities	(297,848)
Net Increase (Decrease) in Cash and Cash Equivalents	258,555
Cash and Cash Equivalents at Beginning of Year	233,796
Cash and Cash Equivalents at End of Year	\$ 492,351
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating Income	\$ (611,342)
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation & amortization	423,390
(Increase) decrease in accounts receivable	(8,728)
Increase (decrease) in accounts payable	20,645
Increase (decrease) in accrued liabilities	10,304
Increase (decrease) in customer deposits	20,200
Increase (decrease) in intergovernmental payables	(50,555)
Net cash provided (used) by operating activities	\$ (196,086)

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

**VILLAGE OF SALADO, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2025**

	Sanctuary Public Improvement District
<u>Assets</u>	
Cash and cash equivalents	\$ 101,702
Restricted Cash	364,299
Total Assets	\$ 466,001
<u>Liabilities</u>	
Accounts Payable	\$ -
Total Liabilities	\$ -
<u>Net Position</u>	
Restricted for Debt Service	364,299
Restricted for PID Activities	101,702
Total Net Position	466,001

**VILLAGE OF SALADO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Sanctuary Public Improvement District
<u>Additions</u>	
Investment earnings	\$ 21,308
Other revenue	441,882
Total Additions	463,190
<u>Deductions</u>	
Project Costs	302,856
Interest on Debt	150,358
Principal on Debt	60,000
Total Deductions	513,214
Change in Net Position	(50,024)
Beginning Net Position	516,025
Ending Net Position	\$ 466,001

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Salado, Texas (the “Village”) was incorporated August 12, 2000, and operates as a General Law Type A municipality. The Village operates under a mayor-aldermen form of government and provides the following services as authorized: general government, public safety, streets, community development (planning and zoning, licensing, permitting, and inspection), culture and recreation, and wastewater services.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village’s accounting policies are described below:

A. Reporting Entity

The accompanying financial statements comply with the provisions of the GASB statements No. 14 and 39, “The Financial Reporting Entity,” in that the financial statements include all organizations, activities, functions, and component units for which the Village is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization’s governing body and either (1) the Village’s ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the Village. There are no component units which satisfy requirements for blending within the Village’s financial statements or for discreet presentation.

B. Financial Statement Presentation

These financial statements comply with the reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments. Certain aspects of the reporting model are as follows:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Village’s overall financial position and changes in financial position.
- Government-wide financial statements prepared using the accrual basis of accounting for all of the Village’s governmental and business type activities.
- Fund financial statements focusing on the major funds.
- Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position and a statement of activities. It requires the reclassification of net position into three components-invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net position – This component of net position consists of net position that do not meet the definition of “restricted” or invested in capital assets, net of related debt.”

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the Village as a whole. These statements include all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds (if any), even though the latter are excluded from the government-wide financial statements.

D. Measurement focus and basis of accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Taxes, license fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

The Village reports the following major governmental funds:

The **General Fund** is the general operating fund of the Village. It is used to account for all the financial resources of the Village.

The **Proprietary Fund** is used to account for revenues and expenditures relating to the operation of the new wastewater collection system and treatment plant and the bond proceeds and expenditures relating to its development.

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement focus and basis of accounting (continued)

Unless otherwise noted, the figures represented in the *Notes to Financial Statements* are for the combined governmental funds.

As a general rule, the effect of the interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first to the extent available.

E. Cash and Temporary Investments

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and time deposits with initial maturities of three months or less.

Investments

Investments maturing within one year of date of purchase are stated at cost. All other investments are stated at fair value, which is based on quoted market prices.

F. Compensated Absences

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. A liability for these amounts is only reported in the fund financial statements if they have matured, for example, as a result of an employee resignation or retirement.

G. Budgets

The Village adopts annual budgets covering its governmental and proprietary fund operations. The budget is amended as required. The budgets are adopted on the *modified accrual basis* of accounting, a basis consistent with generally accepted accounting principles (GAAP).

All variances in the amended budget to actual results are due to differences in accrual accounting for the audit, and cash basis accounting for the Budget. The Village of Salado is in compliance with State Budgeting Requirements.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The Village defines capital assets as assets with initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets (continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

The Village has elected, under the provisions of GASB Statement 34, to report infrastructure using the prospective method. General infrastructure assets acquired prior to October 1, 2003, are not reported in the basic financial statements. General infrastructure assets include all streets and other infrastructure assets acquired subsequent to October 1, 2003.

Property, plant, and equipment are depreciated using the straight line method over the following useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings	20 to 40
Machinery and Equipment	5 to 10
Infrastructure	40

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Pension contributions after measurement date – these contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. Net Position

Net Position in the government-wide financial statements represent the difference between assets and liabilities. *Net assets invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Village or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

K. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

L. Tax Administration

The Village is a General Law Type A municipality with a maximum tax rate for all purposes of \$1.5 per \$100 assessed valuation. This maximum tax rate is imposed by the Constitution of the State of Texas.

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Tax Administration (continued)

All taxes due the City on real or personal property are collected by the Bell County Tax Assessor-Collector and may be paid at any time after the tax rolls have been completed and approved, which is not later than October 1. Current taxes become delinquent on February 1 following the tax year. There are various penalties for delinquent taxes. There are no discounts allowed on taxes. The procedure for collecting delinquent taxes is to refer to a collection attorney after sending delinquent notices. All properties located within the Village limits on January 1 of each year are charged with a special lien in favor of the Village from such date for taxes due thereon.

NOTE 2 – CASH AND INVESTMENTS

Cash and Cash Equivalents

Cash and cash equivalents for financial reporting includes funds invested in money market accounts and all certificates of deposit with a maturity of three months or less from the date of purchase. At September 30, 2025, the Village had total cash balances of \$3,505,812 held in accounts with Horizon and Texpool.

Deposits at year-end are representative of the types of deposits maintained by the Village during the year. The Village's deposits at year-end were entirely covered by federal depository insurance or by acceptable pledged collateral held by the Village's agent in the Village's name. During the entire year ending September 30, 2025, the Village's deposits were fully collateralized in accordance with state law.

Deposits in Tex Pool and Tex Pool Prime

Organized in 1989, Tex Pool is the largest and oldest local government investment pool in the State of Texas. Tex Pool currently provides investment services to over 2,000 communities throughout Texas. The State Comptroller of Public Accounts oversees Tex Pool. Federated Investors is the full-service provider to the pools, managing the assets, providing Participant Services, and arranging for all custody and other functions in support.

Tex Pool and Tex Pool *Prime* are managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. The pools seek to maintain a \$1.00 value per share as required by the Texas Public Funds Investment Act. Tex Pool investments consist exclusively of U.S. Government securities, repurchase agreements collateralized by U.S. Government securities, and AAA-rated no-load money market mutual funds. Tex Pool *Prime* invests in the above plus, commercial paper and certificates of deposits. Tex Pool and Tex Pool *Prime* are each rated AAA by Standard & Poor's, the highest rating a local government investment pool can achieve. The weighted average maturities of the pools cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. Tex Pool and Tex Pool *Prime*, like its participants, are governed by the Texas Public Funds Investment Act, and are in full compliance with the Act.

At September 30, 2025 the Village had deposits with Tex Pool in the amount of \$5,115 included in investments in the financial statements. The Tex Pool assets qualify as Cash and Cash Equivalents under the definition presented.

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 2 - CASH AND INVESTMENTS (continued)

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The Village is in compliance with the requirements of the Act and with local policies.

Custodial Credit Risk for Deposits

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the Village and held by the Village or its agent. The Village's deposits are not subject to custodial credit risk, as all deposits are insured or covered by pledged securities.

Credit Risk

To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the Village limits investments to Tex Pool and Certificates of Deposit, either insured by the Federal Deposit Insurance Corporation, or its successors or fully collateralized as described above, with maturities not exceeding one year (see "*Custodial Credit Risk for deposits*" above).

Concentration of Credit Risk

To limit the risk of loss attributable to the magnitude of the Village's investment in a single issuer, the Village deposits/investments in only those entities who fully insure such deposits/investments or with Tex Pool, as described above. The Village has no concentration of credit risk as all deposits/investments are either insured or fully collateralized.

Interest Rate Risk

To limit the risk that changes in interest rates will adversely affect the fair value of investments, the Village does not invest in anything with a maturity date exceeding one year.

Foreign Currency Risk for Investments

The Village does not make investments denominated in any foreign currency.

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 3 – RECEIVABLES

The following is a breakdown of the September 30, 2025, receivables, reported in the government-wide Statement of Net Position:

Sales Tax Receivable	\$ 149,686
Occupancy Tax Receivable	13,796
Franchise Fees Receivable	57,319
Other Governmental Receivables	8,201
Grant Proceeds Receivable	-
Ad Valorem Taxes Receivable	35,472
Other Amounts Due to Village	-
Total Receivables	<u>\$ 264,474</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025, was as follows:

	<u>Balance October 1, 2024</u>	<u>Additions</u>	<u>Deletions and Adjustment</u>	<u>Balance September 30, 2025</u>
General Fund				
Capital Assets, not Being Depreciated				
Land and Improvements	\$ 45,577	\$ -	\$ -	\$ 45,577
Construction in Progress	942,782		942,782	-
Total Capital Assets not Being Depreciated	\$ 988,359	\$ -	\$ 942,782	\$ 45,577
Capital Assets, Being Depreciated				
Building and Improvements	\$ 384,594	\$ -	\$ -	\$ 384,594
Infrastructure	7,038,520	1,039,212	-	8,077,732
Vehicles and Equipment	1,403,476	85,785	-	1,489,261
Total Capital Assets Being Depreciated	\$ 8,826,590	\$ 1,124,997	\$ -	\$ 9,951,587
Less Accumulated Depreciation for:				
Buildings	\$ (346,666)	\$ (7,946)	\$ -	\$ (354,612)
Infrastructure	(544,390)	(406,609)	-	(950,999)
Vehicles and Equipment	(324,040)	(112,155)	-	(436,195)
Total Accumulated Depreciation	\$ (1,215,096)	\$ (526,710)	\$ -	\$ (1,741,806)
Total Capital Assets Being Depreciated	\$ 7,611,494	\$ 598,287	\$ -	\$ 8,209,781
Total Net Capital Assets	<u>\$ 8,599,853</u>	<u>\$ 598,287</u>	<u>\$ 942,782</u>	<u>\$ 8,255,358</u>

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 4 – CAPITAL ASSETS (continued)

	<u>Balance October 1, 2024</u>	<u>Additions</u>	<u>Deletions and Adjustment s</u>	<u>Balance September 30, 2025</u>
Proprietary Fund				
Infrastructure	12,285,516	-	-	12,285,516
Vehicles and Equipment	5,857	-	-	5,857
Total Capital Assets not Being Depreciated	12,291,373	-	-	12,291,373
Less Accumulated Depreciation for:				
Infrastructure	(1,995,830)	(423,390)	-	(2,419,220)
Vehicles and Equipment	(5,857)	-	-	(5,857)
Total Accumulated Depreciation	(2,001,687)	(423,390)	-	(2,425,077)
Total Capital Assets Being Depreciated-Net	10,289,686	(423,390)	-	9,866,296
Total Net Capital Assets	<u>10,289,686</u>	<u>(423,390)</u>	<u>-</u>	<u>9,866,296</u>

Depreciation expense was charged to programs for the year ended September 30, 2018, as follows:

Administration	\$ 27,119
Police	97,797
Parks	53,451
Judicial	-
Streets	348,343
	<u>\$ 526,710</u>

NOTE 5 – LONG-TERM LIABILITIES

The changes in long-term debt during the year ended September 30, 2025 are as follows:

	<u>Balance 10/1/2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/2025</u>	<u>Current</u>
Governmental Activities					
Notes Payable	\$ 184,672	\$ -	\$ 76,696	\$ 107,976	\$ 81,047
Tax Notes, Series 2025		1,350,000		1,350,000	165,000
Accrued Compensated Absences	35,467		-	35,467	-
Net OPEB Liability	58,840	2,409	-	61,249	-
Total	278,979	1,350,000	76,696	1,554,692	246,047
Business-Type Activities					
Bonds Payable	\$ 6,920,000	\$ -	\$ 570,000	\$ 6,350,000	\$ 580,000
Total	6,920,000		570,000	6,350,000	580,000

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Permanent Improvement Refunding Bonds Series 2022

The Village of Salado issued \$8.03 million in Revenue Bonds in September 2022 to refund series 2015 and 2018 bonds. The debt service is funded by a combination of wastewater system revenues and property taxes. The bonds mature serially through September 1, 2035 and bear interest at 1.9%.

In 2020, the Village of Salado issued two notes payable for \$72,741 to purchase 2 police vehicles. The notes bear interest at 3.25% and 4.15%, require annual payments and are secured by the vehicles.

In 2023, another note payable was issued for \$159 thousand to purchase police vehicles. The note bears interest at 5.3% and requires annual payments of \$58,719 through April, 2026.

In 2024, another note payable was issued for \$76 thousand to purchase a police vehicle. The note bears interest at 6.5% and requires annual payments of \$28,680 through August, 2027.

The Village of Salado issued \$1.350 million in Tax Notes and Revenue Bonds, series 2025 for Wastewater System Improvements and Road Improvements. The bonds mature March 1, 2032 and bear interest at 3.95% with payments from \$215,511 to \$223,035.

September 30,	Principal	Interest	Total
2026	246,046	56,863	302,909
2027	201,930	45,102	247,032
2028	185,000	36,241	221,241
2029	190,000	28,835	218,835
2030	200,000	21,132	221,132
Thereafter	435,000	1,142,337	1,577,337
totals	1,457,976	1,330,510	2,788,486

September 30,	Principal	Interest	Total
2026	580,000	97,039	677,039
2027	595,000	72,572	667,572
2028	600,000	69,064	669,064
2029	615,000	65,395	680,395
2030	625,000	61,567	686,567
Thereafter	3,335,000	396,835	3,731,835
totals	6,350,000	762,472	7,112,472

NOTE 6 – INTERFUND TRANSACTIONS

Interfund balances as of September 30, 2025 were as follows:

Due From	Due To	Amount	Purpose
Wastewater Utility	General Fund	166,319	Reimbursement

Interfund transfers during the year ended September 30, 2025 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Wastewater	752,489	Pay debt service

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 7 – PROPERTY TAXES

The Village's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and business personal property located in the Village. The assessed value at January 1, 2025, upon which the 2025 levy was based, was \$499,000,292. The total levy assessed was \$2,425,141.

The tax assessment of September 15, 2025 set a tax levy at \$0.486 per \$100 of assessed valuation at 100 percent of assumed market value. The I&S tax rate is 0.1841 and the M&O tax rate is 0.3019. The Village may levy a tax of up to \$1.5 per \$100 of assessed valuation. Taxes are due by January 31 following the October 1 levy date, at which time a lien attaches to the property.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. At September 30, 2025, property taxes receivable are \$35,472, with \$15,105 current and \$20,367 delinquent.

NOTE 8 – RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), an Intergovernmental Risk-Pool. The Village has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the Village in TML is limited to payment of premiums. During the year ended September 30, 2025, the Village paid premiums of approximately \$57,199 for provisions of various liability, property, and casualty insurance. The Village has various deductible amounts ranging from \$250 to \$1,000,000 on various policy cover ages. At year-end, the Village did not have any significant claims outstanding.

NOTE 9 – TAX INCENTIVES

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

In 2015, the Village of Salado executed an agreement with a mixed use development that was amended in November 2022. Incentives include a 50% rebate of occupancy taxes for 15 years, 50% rebate of incremental property taxes for 15 years and 50% rebate of sales tax from the development for 15 years. The 3 rebates are subject to a maximum combined rebate of \$6,000,000. Separately, the Village will rebate 100% of wastewater fees up to a maximum of \$6,000,000. For the year ending September 30, 2025, \$118,496 in impact fees and \$9,745 in property taxes were rebated, leaving a maximum remaining tax grant of \$5,983,351 and impact fee rebate of \$4,882,826.

In 2024, the Village executed an agreement with a hotel. Incentives include rebates of occupancy taxes and incremental property taxes for 10 years through 2033. The occupancy tax and property tax rebates are subject to maximum rebates of \$984,000 and \$94,940, respectively. The agreement is contingent upon employment metrics and certain capital improvements. For the year ending September 30, 2025, \$65,385 in occupancy taxes were rebated, leaving a maximum remaining rebate of \$973,506 for occupancy taxes. \$9,982 in property taxes were rebated, leaving a remaining balance of \$84,958 for property tax rebates.

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 10 – PUBLIC IMPROVEMENT DISTRICTS

In February 2023, the Village of Salado Board of Alderman approved 2 public improvement districts (PIDs) to finance infrastructure in the Sanctuary development. The first PID issued bonds of \$4.7 million in 2024 and more debt is expected as future phases are completed. The Village of Salado has no responsibility for the repayment of this debt as they are secured by a special assessment on the properties located in the PIDs. The Village of Salado accounts for the collection of the special assessment and related debt service in a custodial nature.

NOTE 11 – SUBSEQUENT EVENT

The Village of Salado adopted a budget and tax rate for the 2024-2025 year with a tax rate above the voter approval rate. A petition was submitted calling for an election in May 2025 to approve the rate or rollback to the voter approved rate. If the voters do not approve the rate increase, the Village is prepared to make cuts in the budget based on the lower funding level. Voters did not approve the rate increase. This did not have a material affect on these financial statements.

NOTE 10 – PENSION PLAN

Plan Description

The Village of Salado participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

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

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

NOTE 10 – PENSION PLAN (continued)

Employees covered by benefit terms.

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	28
Active employees	<u>14</u>
Total	54

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 10 – PENSION PLAN (continued)

Contributions

The contribution rate for the employees in TMRS is 5%, 6%, 7% and 8% of employee gross earnings, and the City matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is annually determined by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for Village of Salado were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for Village of Salado were 5% in calendar years 2016 respectively. The city's contributions to TMRS for the year ended September 30, 2025 were \$13,897, and were equal to the required contributions.

Net Pension Liability or Net Pension Asset

The city's Net Pension Asset (NPA) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Asset or Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year

Overall payroll growth 3.6% to 11.85% per year

Investment Rate of Return 6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB on account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2024, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2019 through December 31, 2023, first used in the December 31, 2019 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2019 through 2021, and dated December 31, 2024. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2024 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

Asset class	Target allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

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

Village of Salado

**Schedule of Changes in Net Pension Liability and Related Ratios Current Period
September 30, 2025**

A. Total pension liability	
1. Service Cost	\$ 177,184
2. Interest (on the Total Pension Liability)	83,708
3. Changes of benefit terms	-
4. Difference between expected and actual experience	(118,932)
5. Changes of assumptions	-
6. Benefit payments, including refunds of employee contributions	(96,464)
7. Net change in total pension liability	\$ 45,496
8. Total pension liability - beginning	1,199,761
9. Total pension liability - ending	<u>\$ 1,245,257</u>
B. Plan fiduciary net position	
1. Contributions - employer	\$ 113,897
2. Contributions - employee	68,260
3. Net investment income	125,812
4. Benefit payments, including refunds of employee contributions	(96,464)
5. Administrative Expense	(806)
6. Other	(19)
7. Net change in plan fiduciary net position	\$ 210,680
8. Plan fiduciary net position - beginning	1,208,947
9. Plan fiduciary net position - ending	<u>\$ 1,419,627</u>
C. Net pension liability [A.9-B.9]	<u>\$ (174,370)</u>
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	114.00%
E. Covered-employee payroll	\$ 975,147
F. Net pension liability as a percentage of covered employee payroll [C / E]	-17.88%

Sensitivity of the net pension liability to changes in the discount rate.

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$284	\$(174,371)	\$(316,174)

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

Pension Plan Fiduciary Net Position

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

VILLAGE OF SALADO		
SCHEDULE OF PENSION EXPENSE		
SEPTEMBER 30, 2025		
1.	Total Service Cost	\$ 177,184
2.	Interest on the Total Pension Liability	83,708
3.	Current Period Benefit Changes	-
4.	Employee Contributions (Reduction of Expense)	(68,260)
5.	Projected Earnings on Plan Investments (Reduction of Expense)	(81,604)
6.	Administrative Expense	806
7.	Other Changes in Fiduciary Net Position	19
8.	Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(51,710)
9.	Recognition of Current Year Outflow (Inflow) of Resources - Assets	(8,842)
10.	Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	(31,948)
11.	Amortization of Prior Year Outflows (Inflows) of Resources - Assets	6,889
12.	Total Pension Expense	\$ 26,242

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 10 – PENSION PLAN (continued)

**VILLAGE OF SALADO
SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE
SEPTEMBER 30, 2025**

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2024 Recognized in current pension expense	Deferred (Inflow) Outflow future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	2.3000	\$ (118,932)	\$ (51,710)	\$ (67,222)
Difference in assumption changes [actuarial (gains) or losses]	2.3000	\$ -	\$ -	\$ -
			<u>\$ (51,710)</u>	<u>\$ (67,222)</u>
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ (44,208)	\$ (8,842)	\$ (35,366)
			<u>\$ (8,842)</u>	<u>\$ (35,366)</u>
Total:				<u>\$ (102,588)</u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2025	\$ (68,100)
2026	(4,541)
2027	(19,008)
2028	(8,840)
2029	-
Thereafter	-
Total	<u>\$ (100,489)</u>

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 10 – PENSION PLAN (continued)

Supplemental Death Benefits Fund

The Village also participates in the cost-sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS); known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is on “other postemployment benefit,” or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during the employees’ entire careers.

The City’s contributions to the TMRS SDBF for the years ended 2024, 2023 and 2022 were \$7500, \$7500, and \$7500 respectively, which equaled the required contributions each year.

TMRS records indicate the following percentages contributed by the City (as employer contributions) for the following fiscal years ending:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2020	0.01%	0.01%	100%
2021	0.03%	0.03%	100%
2022	0.02%	0.02%	100%
2023	0.02%	0.02%	100%
2024	0.03%	0.03%	100%

Net Other Post Employment Benefits Liability.

Actuarial Assumptions

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2019 to December 31, 2023. These assumptions were adopted in 2019 and first used in the December 31, 2023 valuation.

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 10 – PENSION PLAN (continued)

The Mortality Experience Investigation Study covering 2009 through 2011 is used as the basis for the post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs). Mortality Rates for service employees uses the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Inflation	2.50% per year
Overall payroll growth	3.50 to 10.5% per year including inflation
Discount rate	3.31%

Changes in the Net Other Post Employment Benefits Liability

	Increase (Decrease) <u>Total OPEB Liability</u>
Balance at 12/31/23	\$58,840
Changes for the year	
Service Cost	2,925
Interest on Total OPEB liability	2,250
Changes of benefit terms	0
Differences between expected and actual experience	2,016
Changes in assumption or other inputs	(3,514)
Benefit payments	<u>(1,268)</u>
Net changes	2,409
Total OPEB Liability – end of year	\$61,249
Total OPEB Liability as a Percentage of Covered Payroll	6.28%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the current discount rate of 3.31% as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or -1 percentage point higher (4.31%) than the current rate. Because the SDBF is considered an unfunded trust, the relevant discount rate to calculate the total OPEB liability is based on the Fidelity Index's 20 year Municipal GO AA Index.

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Total OPEB liability	\$73,586	\$61,249	\$51,728

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 10 – PENSION PLAN (continued)

**VILLAGE OF SALADO
SCHEDULE OF OPEB EXPENSE
SEPTEMBER 30, 2025**

1.	Total Service Cost	\$ 2,925
2.	Interest on the Total OPEB Liability	2,250
3.	Current Period Benefit Changes	-
4.	Employer administrative costs	-
5.	Recognition of deferred outflows/inflows of resources	-
6.	Differences between expected and actual experience	1,066
7.	Changes in assumptions or other inputs	(7,682)
8.	Total OPEB Expense	\$ (1,441)

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 10 – PENSION PLAN (continued)

VILLAGE OF SALADO					
SCHEDULE OF OPEB OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENS					
SEPTEMBER 30, 2025					
	Recognition Period (or total amortization yrs)	Total (Inflow or Outflow of Resources)	2024 Recognized in current PEB expense	Deferred (flow) Outflow expense	
Due to Liabilities:					
Difference in expected and actual experience [actuarial (gains) or losses]	3.6800	\$ 2,016	\$ 548	\$ 1,468	
Change in assumptions [actuarial (gains) or losses]	3.6800	\$ (3,514)	\$ (955)	\$ (2,559)	
			<u>\$ (407)</u>	<u>\$ (1,091)</u>	
Contributions made subsequent to measurement date Total (excluding city provided Contributions made subsequent to measurement date		Provided by City	Provided by City	Provided by City	
				<u>\$ (1,091)</u>	
Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense as follows:					
		Net deferred outflows (inflows) of resources			
2025		\$ (3,618)			
2026		515			
2027		(277)			
2028		-			
2029		-			
Thereafter		-			
Total		<u>\$ (3,380)</u>			Other

Information

Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:

Total covered payroll * retiree Portion of SDB Contribution (Rate)

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF SALADO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
SEPTEMBER 30, 2025

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Budget
	<u>Original</u>	<u>Final</u>	(GAAP BASIS)	Positive (Negative)
Revenues:				
Taxes				
Ad Valorem Taxes	\$ 1,150,000	\$ 1,253,000	\$ 2,021,399	\$ 768,399
General Sales and Use Taxes	860,000	985,000	1,008,646	23,646
Franchise Fees	225,000	254,400	247,378	(7,022)
Mixed Beverage Tax	41,000	60,000	61,342	1,342
Licenses and Permits	141,000	440,000	378,015	(61,985)
Property Tax Refunds	-	(487,700)	-	487,700
Charges for Services	35,000	6,400	139,172	132,772
Fines	70,000	60,000	88,276	28,276
Investment Earnings	4,300	13,400	13,552	152
Other Revenue	20,000	8,400	46,004	37,604
Total Revenues	<u>\$ 2,546,300</u>	<u>\$ 2,592,900</u>	<u>\$ 4,003,784</u>	<u>\$ 1,410,884</u>
Expenditures:				
General Government	\$ 763,352	\$ 1,041,500	\$ 1,467,770	\$ (426,270)
Development Services	282,755	304,100	285,992	18,108
Police, Fire & EMS	1,096,836	918,100	817,454	100,646
Municipal Court	32,550	38,000	64,051	(26,051)
Public Works	83,757	46,000	46,476	(476)
Streets	132,000	74,000	61,413	12,587
Parks	18,500	6,200	6,500	
Capital Outlay		25,000	182,215	
Total Expenditures	<u>\$ 2,409,750</u>	<u>\$ 2,452,900</u>	<u>\$ 2,931,871</u>	<u>\$ (478,971)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	<u>\$ 136,550</u>	<u>\$ 140,000</u>	<u>\$ 1,071,913</u>	<u>\$ 931,913</u>
Transfers In/(Out)		(140,000)	(774,840)	
Beginning Fund Balance			71,044	
Ending Fund Balance			<u>368,117</u>	

VILLAGE OF SALADO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – PROPRIETARY FUND
SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Budget
	Original	Final	(GAAP BASIS)	Positive (Negative)
Revenues:				
Monthly Service Fees	275,000	448,300	459,158	\$ 10,858
Property Tax Revenue	\$ 701,480	\$ 701,480	\$ -	\$(701,480)
Interest Income	2,800	750	3,459	2,709
Impact fees	-	-	400,173	400,173
Other Revenue	-	19,000	19,864	864
Total Revenues	\$ 979,280	\$ 1,169,530	\$ 882,654	\$(286,876)
Expenditures:				
Administration	\$ 26,250	\$ 10,100	\$ 144,325	\$(134,225)
Professional Services	190,100	220,200	104,508	115,692
Repairs & Maintenance	25,000	80,000	258,525	(178,525)
Utilities	99,000	110,000	104,508	5,492
Miscellaneous	1,500	6,250	137,908	(131,658)
Capital Outlay				
Debt Service : Principal	570,000	570,000	570,000	-
Debt Service: Interest expense	131,480	131,480	131,480	-
Total Expenditures	\$ 1,043,330	\$ 1,128,030	\$ 1,451,254	\$(323,224)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (64,050)	\$ 41,500	\$ (568,600)	\$(610,100)
Transfers In/(Out)	66,550	-	752,489	
Net Income/(Loss)	2,500	41,500	183,889	

Village of Salado

Schedule of Changes in Net Pension Liability and Related Ratios
Last ten years (will ultimately be displayed)

	2015	2016	2017	2018
Total pension liability				
1. Service Cost	69,752	70,123	64,236	66,359
2. Interest (on the Total Pension Liability)	32,388	37,073	37,699	36,763
3. Changes of benefit terms	-	-	-	-
4. Difference between expected and actual experience	(7,357)	(43,068)	(70,699)	(5,780)
5. Changes of assumptions	8,810	-	-	-
6. Benefit payments, including refunds of employee contributions	(9,029)	(25,436)	(78,384)	(13,947)
7. Net change in total pension liability	94,564	38,692	(47,148)	83,395
8. Total pension liability - beginning	432,329	526,893	565,585	518,437
9. Total pension liability - ending	526,893	565,585	518,437	601,832
Plan fiduciary net position				
1. Contributions - employer	42,005	40,518	39,095	36,761
2. Contributions - employee	29,707	29,024	26,676	26,758
3. Net investment income	635	33,390	79,063	(19,062)
4. Benefit payments, including refunds of employee contributions	(9,029)	(25,436)	(78,384)	(13,947)
5. Administrative Expense	(387)	(377)	(410)	(369)
6. Other	(18)	(20)	(21)	(18)
7. Net change in plan fiduciary net position	62,913	77,099	66,019	30,123
8. Plan fiduciary net position - beginning	430,496	493,409	570,508	636,527
9. Plan fiduciary net position - ending	493,409	570,508	636,527	666,650
Net pension liability [A.9-B.9]	33,484	(4,923)	(118,090)	(64,818)
Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	93.65%	100.87%	122.78%	110.77%
Covered-employee payroll	\$ 594,141	580,490	533,523	535,154
Net pension liability as a percentage of covered employee payroll [C / E]	5.64%	-0.85%	-22.13%	-12.11%

2019	2020	2021	2022	2023	2024
66,803	65,398	75,490	89,061	152,512	177,184
42,408	48,302	52,916	56,557	77,162	83,708
-	-	-	-	188,116	-
(11,162)	(18,863)	(52,522)	(25,027)	(64,306)	(118,932)
9,512	-	-	-	(7,078)	-
(13,947)	(25,111)	(37,945)	(19,520)	(50,827)	(96,464)
93,614	69,726	37,939	101,071	295,579	45,496
601,832	695,446	765,172	803,111	904,182	1,199,761
695,446	765,172	803,111	904,182	1,199,761	1,245,257
35,234	31,325	39,133	44,897	47,558	113,897
28,187	27,478	31,718	37,171	40,648	68,260
103,134	62,218	119,368	(77,969)	121,761	125,812
(13,947)	(25,111)	(37,945)	(19,520)	(50,827)	(96,464)
(582)	(402)	(551)	(673)	(774)	(806)
(19)	(15)	3	804	(5)	(19)
152,007	95,493	151,726	(15,290)	158,361	210,680
666,650	818,657	914,150	1,065,876	1,050,586	1,208,947
818,657	914,150	1,065,876	1,050,586	1,208,947	1,419,627
(123,211)	(148,978)	(262,765)	(146,404)	(9,186)	(174,370)
117.72%	119.47%	132.72%	116.19%	100.77%	114.00%
563,736	549,565	634,370	743,415	812,963	975,147
-21.86%	-27.11%	-41.42%	-19.69%	-1.13%	-17.88%

Village of Salado
Schedule of Contributions
Last 10 Fiscal Years (will ultimately be displayed)

September 30, 2025

	2015	2016	2017	2018	2019	2020	2021
Actually Determined Contribution	\$ 71,712	\$ 42,400	\$ 39,879	39,026	34,793	35,190	37,297
Contributions in relation to the actuarially determined contribution	<u>71,712</u>	<u>42,400</u>	<u>65,771</u>	39,026	34,793	35,190	37,297
Contribution deficiency (excess)	-	-	-				
Covered employee payroll	\$ 594,141	\$ 588,011	\$ 536,721	541,129	542,397	579,615	592,916
Contributions as a percentage of covered employee payroll	12.07%	7.21%	12.25%	7.21%	6.41%	6.07%	6.29%
Noes to Schedule of Contributions							
Valuation Date determined	12/31/2024						
Notes							

Valuation Date:

Notes effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

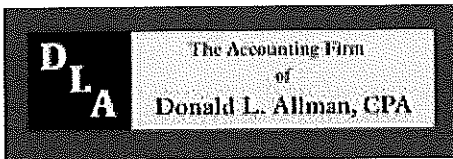
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year Smoothed Market 15% Soft Corridor
Inflation	2.5%
Salary Increases	3.60% to 11.85% Including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period 2022.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

2022	2023	2024
44,509	46,996	97,867
44,509	46,996	97,867
733,100	797,207	939,153
6.07%	5.90%	10.42%

INTERNAL CONTROL AND COMPLIANCE



Donald L. Allman, CPA, PC
160 Owen Pass
Liberty Hill, Texas 78642
Email: dallman@donallmancpa.com

CERTIFIED PUBLIC ACCOUNTANT

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
Village of Salado, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Salado, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise Village of Salado, Texas' basic financial statements, and have issued our report thereon dated March 9, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Village of Salado, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village of Salado, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Village of Salado, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Salado, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Donald L. Allman, CPA, PC
Georgetown, TX

March 9, 2026



March 13, 2026

Donald L. Allman, CPA, PC 160 Owen Pass Liberty Hill, TX 78642

This representation letter is provided in connection with your audit of the financial statements of the Village of Salado, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 13, 2026, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 8, 2025, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Village of Salado is contingently liable, if any, have been properly recorded or disclosed.

Information Provided


- 11) We have provided you with:
- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters [and all audit or relevant monitoring reports, if any, received from funding sources].
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Village of Salado from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Village of Salado or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the Village of Salado and involves—
- Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Village of Salado's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the names of the Village of Salado's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 21) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 22) The Village of Salado has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 24) We have appropriately identified, recorded, and disclosed all leases in accordance with [GASB Statement \(GASBS\) No. 87](#).
- 25) We have appropriately disclosed or recognized conduit debt obligations and/or certain arrangements associated with conduit debt obligations in accordance with [GASBS No. 91](#).
- 26) We have appropriately disclosed identified, recorded, and disclosed public-private and public-public partnerships and availability payment arrangements in accordance with [GASBS No. 94](#).

- 27) We have appropriately identified, recorded, and disclosed subscription-based information technology arrangements in accordance with [GASBS No. 96](#).
- 28) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 29) We have appropriately measured, recorded, and disclosed compensated absences and other salary-related payments in accordance with [GASBS No. 101](#).
- 30) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 31) As part of your audit, you assisted with preparation of the financial statements and disclosures [and schedule of expenditures of federal awards]. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
- 32) The Village of Salado has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 33) The Village of Salado has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 34) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 35) The financial statements include all fiduciary activities required by [GASBS No. 84](#), as amended.
- 36) The financial statements properly classify all funds and activities in accordance with [GASBS No. 34](#), as amended.
- 37) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 38) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 39) Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
- 40) Provisions for uncollectible receivables have been properly identified and recorded.
- 41) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 42) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 43) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 44) Special and extraordinary items (unusual items or infrequent items after implementing [GASBS No. 103](#)) are appropriately classified and reported. [Omit or modify this item if there are no special or extraordinary items.]
- 45) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.
- 46) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.

- 47) We have appropriately disclosed the Village of Salado's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 48) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 49) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signature: 
Title: Alderman/Mayor Pro Tem

Signature: 
Title: Village Administrator