

SALADO INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

FOR THE YEAR ENDED
JUNE 30, 2023



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

SALADO INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED JUNE 30, 2023

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CERTIFICATE OF BOARD

Salado Independent School District
Name of School District

Bell
County

014-908
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended June 30, 2023, at a meeting of the Board of Trustees of such school district on the 16th day of October, 2023.



Signature of Board Secretary



Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Salado Independent School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Salado Independent School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Salado Independent School District's 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Salado Independent School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Salado Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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 Salado Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 and *Government 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 Salado Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Salado Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section which precedes the basic financial statements and the pension and other post-employment benefits liabilities related schedules following the notes to the financial statements 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 Salado Independent School District's basic financial statements. The accompanying combining schedules of non-major governmental funds, and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 schedules of non-major governmental funds and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

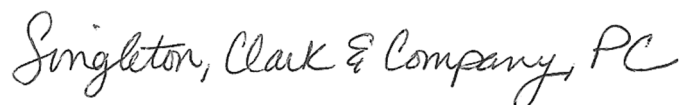
Other Information

Management is responsible for the other information included within the annual report. The other information comprises exhibits required by the Texas Education Agency which present property tax collection and receivable information, budget-to-actual comparisons for the Child Nutrition Fund and Debt Service Fund, and information related to expenditure levels of selected state funding allotments. Our opinions on the basic financial statements do not cover this 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2023 on our consideration of Salado Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Salado Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Salado Independent School District's internal control over financial reporting and compliance.



Singleton, Clark & Company, PC
Cedar Park, Texas

September 15, 2023

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SALADO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Salado Independent School District (the "District") discuss and analyze the financial performance of the District for the fiscal year ended June 30, 2023. Please read this information in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position for governmental activities increased by \$3,698,484 as a result of this year's current operations, to end at \$11,302,340.
- Total governmental funds of the District (the General Fund, the Debt Service Fund, and all Special Revenue Funds) reported an overall fund balance increase of \$3,514,790, to end at \$18,794,523.
- The General Fund of the District reported a fund balance decrease of \$512,372 for the year, to end at \$6,444,210.

OVERVIEW OF THE FINANCIAL SECTION

The Financial Section is the most substantial part of this Annual Financial and Compliance Report. It consists of the independent auditor's report, management's discussion and analysis (this section), a set of basic financial statements with required note disclosures, and finally, required supplementary information and other supporting statements and schedules as applicable.

Independent Auditor's Report

State law requires the District's financial statements to be audited by an independent certified public accountant each year. The primary purpose of the annual audit is for the auditor to express an opinion as to whether the financial statements of the District appear to be free from material misstatement. The audit is required to be conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The District received an *Unmodified* opinion on its financial statements this year.

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) section of the report is intended to introduce the financial statements and to provide discussion and analysis regarding the financial performance of the District during the year. The MD&A is written by management of the District and provides for a less formal presentation of the financial activities of the District than is found within the basic financial statements themselves.

Basic Financial Statements

The Basic Financial Statements consist of a series of financial statements and required note disclosures. These statements include government-wide financial statements which present the District in a consolidated and long-term manner using full-accrual accounting similar to that of a business enterprise, and fund financial statements which present a more detailed view of the District using a more short-term view and traditional modified-accrual governmental accounting. These financial statements are followed with detailed notes which provide narrative explanations and additional data for full disclosure of information.

SALADO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Required Supplementary Information

The previously discussed Management's Discussion and Analysis section is considered to be required supplementary information, however, the governmental reporting framework requires that it be presented before the financial statements. When applicable, additional required supplementary information must follow the financial statements. Within this financial report, the District presents required schedules related to its participation in the Teacher Retirement System of Texas and the Texas Public School Retired Employees Group Insurance Plan.

Combining and Individual Fund Statements and Schedules

The combining statements provide detailed information about the District's nonmajor funds. While the primary financial statements present the nonmajor funds in a consolidated manner, the combining statements list all of the nonmajor funds separately, each in its own column. In addition, this section also includes schedules required by the Texas Education Agency to report tax collection information and budget to actual information for the District's child nutrition and debt service functions.

OVERVIEW OF THE FEDERAL AWARDS SECTION

Report on Internal Controls and Compliance

In accordance with *Government Auditing Standards*, the auditor is required to consider the internal controls the District has in place over financial reporting and whether any noncompliance with rules, laws, and regulations was noted during the audit. This report describes the scope of the testing of internal control and compliance, however, it does not provide an opinion on the effectiveness of internal control or on compliance.

Report on Compliance and Internal Control for Each Major Program

Because the District expended more than \$750,000 in federal grant awards, an additional independent auditor's report on compliance and internal control over the District's major federal grant programs was required. This report provides an opinion by the independent audit firm that the District complied, in all material respects, with the requirements applicable to the federal grants received and expended.

Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards (SEFA) provides a detailed listing of the federal grant awards received by the District during the year. This listing includes federal grant names, identification numbers, and amounts expended.

Schedule of Findings and Questioned Costs

The Schedule of Findings and Questioned Costs provides an overall summary of auditor results, including identification of the type of opinion on the financial statements, whether any significant deficiencies or material weaknesses in internal controls were observed by the audit firm, and whether any material noncompliance was noted. This schedule also lists information related to the audit of the District's major federal programs and lists any audit findings reported by the audit firm for the year.

SALADO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins with the government-wide financial statements which immediately follow this section. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. The primary purpose of these financial statements is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows, liabilities, and deferred inflows at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the District and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by the State of Texas in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

The Statement of Net Position and the Statement of Activities report the District's net position and changes in net position. The District's net position (the difference between assets, deferred outflows, liabilities, and deferred inflows) provides one measure of the District's financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, school districts divide up their financial activities as follows:

- Governmental activities – School districts report basic services here, including the instruction of students, counseling, co-curricular activities, child nutrition services, transportation, maintenance, community services, and general administration. Property taxes, state block grants based on student attendance and demographics, and other state and federal grants finance most of these activities.
- Business-type activities – School districts may charge a fee to "customers" to help it cover all or most of the cost of services it provides for child care programs or other activities that closely model a business venture.

SALADO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements follow the government-wide statements and provide detailed information about the most significant funds of the District, not the District as a whole. Laws and regulations require the District to establish separate funds, such as for grants received from the state and federal government, money received from bond issues for capital projects, or for money raised specifically for debt service purposes, in order to clearly display financial accountability for use of these funds.

School districts use two different kinds of funds for operations, governmental funds and proprietary funds, which use different accounting approaches.

- A school district will use *governmental funds* to account for basic services. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- A school district will use *proprietary funds* to account for the activities for which it charges users (whether outside customers or other units of the District). Proprietary funds use the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, when a district utilizes enterprise funds, (one category of proprietary funds) these are the business-type activities reported in the government-wide statements but they contain more detail and additional information, such as cash flows. Internal service funds (the other category of proprietary funds) report activities that provide supplies and services for a district's other programs and activities, such as a district's self-insurance programs.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and alumni scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages that follow the governmental fund and proprietary fund financial statements. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is however responsible for applying sound financial internal controls over these funds and for ensuring that these resources are used for their intended purposes.

SALADO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities and business-type activities.

Net position of the District's governmental activities increased from \$7,603,856 to \$11,302,340. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was (\$3,845,653) at June 30, 2023. The increase in governmental net position was primarily driven by a \$4,033,179 increase in the Debt Service Fund which the District intends to utilize to payoff callable bonds in the coming fiscal year.

**TABLE I
SALADO INDEPENDENT SCHOOL DISTRICT
NET POSITION**

	Governmental Activities 2023	Governmental Activities 2022	Change	Business- Type Activities 2023	Business- Type Activities 2022	Change
Current & Other Assets	\$ 21,269,527	\$ 17,594,954	\$ 3,674,573	\$ 124,787	\$ 101,833	\$ 22,954
Capital Assets	66,597,262	68,423,309	(1,826,047)	-	-	-
Total Assets	87,866,789	86,018,263	1,848,526	124,787	101,833	22,954
Deferred Outflows of Resources	7,414,319	4,777,271	2,637,048	-	-	-
Current Liabilities	2,917,644	2,896,888	20,756	3,450	3,337	113
Long-Term Liabilities	73,290,824	73,578,992	(288,168)	-	-	-
Total Liabilities	76,208,468	76,475,880	(267,412)	3,450	3,337	113
Deferred Inflows of Resources	7,770,300	6,715,798	1,054,502	-	-	-
Net Position:						
Net Investment in Capital Assets	3,238,149	3,083,886	154,263	-	-	-
Restricted	11,909,844	7,790,585	4,119,259	-	-	-
Unrestricted	(3,845,653)	(3,270,615)	(575,038)	121,337	98,496	22,841
Total Net Position	\$ 11,302,340	\$ 7,603,856	\$ 3,698,484	\$ 121,337	\$ 98,496	\$ 22,841

SALADO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

TABLE II
SALADO INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

	Governmental Activities 2023	Governmental Activities 2022	Change	Business- Type Activities 2023	Business- Type Activities 2022	Change
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,571,977	\$ 256,603	\$ 1,315,374	\$ 113,817	\$ 99,174	\$ 14,643
Operating Grants & Contributions	2,577,982	2,266,855	311,127	-	-	-
General Revenues:						
Maintenance & Operations Taxes	12,835,976	10,774,468	2,061,508	-	-	-
Debt Service Taxes	7,496,074	6,165,723	1,330,351	-	-	-
State Aid - Formula Grants	6,825,248	7,614,914	(789,666)	-	-	-
Grants & Contributions not Restricted	240,915	196,312	44,603	-	-	-
Investment Earnings	472,920	81,956	390,964	-	-	-
Miscellaneous	1,120,729	1,296,008	(175,279)	-	-	-
Total Revenue	<u>33,141,821</u>	<u>28,652,839</u>	<u>4,488,982</u>	<u>113,817</u>	<u>99,174</u>	<u>14,643</u>
Expenses:						
Instruction	14,438,868	13,039,605	1,399,263	-	-	-
Instructional Resources & Media Svcs	255,262	244,902	10,360	-	-	-
Curriculum & Instructional Staff Dev.	124,514	119,105	5,409	-	-	-
Instructional Leadership	334,062	323,545	10,517	-	-	-
School Leadership	1,145,269	1,050,863	94,406	-	-	-
Guidance, Counseling, & Eval. Svcs	1,010,084	938,713	71,371	-	-	-
Social Work Services	30,618	30,220	398	-	-	-
Health Services	247,705	238,714	8,991	-	-	-
Student Transportation	1,076,588	828,390	248,198	-	-	-
Food Services	1,068,314	844,273	224,041	-	-	-
Extracurricular Activities	2,991,501	2,408,602	582,899	-	-	-
General Administration	799,915	835,796	(35,881)	-	-	-
Facilities Maintenance and Operations	2,342,370	2,511,983	(169,613)	-	-	-
Security and Monitoring Services	224,781	82,488	142,293	-	-	-
Data Processing Services	880,298	690,038	190,260	-	-	-
Debt Service	2,238,751	2,468,325	(229,574)	-	-	-
Payments to Fiscal Agent of SSA	35,256	42,677	(7,421)	-	-	-
Other Intergovernmental Charges	199,181	168,979	30,202	-	-	-
Business-Type Activities	-	-	-	90,976	81,503	9,473
Total Expenses	<u>29,443,337</u>	<u>26,867,218</u>	<u>2,576,119</u>	<u>90,976</u>	<u>81,503</u>	<u>9,473</u>
Change in Net Position	<u>3,698,484</u>	<u>1,785,621</u>	<u>1,912,863</u>	<u>22,841</u>	<u>17,671</u>	<u>5,170</u>
Net Position at 7/1/22 and 7/1/21	<u>7,603,856</u>	<u>5,818,235</u>	<u>1,785,621</u>	<u>98,496</u>	<u>80,825</u>	<u>17,671</u>
Net Position at 6/30/23 and 6/30/22	<u>\$11,302,340</u>	<u>\$ 7,603,856</u>	<u>\$ 3,698,484</u>	<u>\$ 121,337</u>	<u>\$ 98,496</u>	<u>\$ 22,841</u>

SALADO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

THE DISTRICT'S FUNDS

As the District completed this annual period, the General Fund reported an ending fund balance of \$6,444,210, which is \$512,372 less than last year's total of \$6,956,582. This decrease in fund balance is primarily attributable to greater than originally anticipated expenditures related to Facilities Acquisition & Construction.

The District's Debt Service Fund reported an ending fund balance of \$11,265,284 which is \$4,018,029 greater than last year's total of \$7,247,255. The Debt Service fund balance was greater at June 30, 2023, as compared to the prior year end, due to an anticipated extinguishment of the Districts callable bonds in the coming fiscal year. The purpose of the Debt Service Fund is to provide for the payment of bond principal and interest payments as it becomes due.

The District's other governmental funds reported combined ending fund balances of \$1,085,029. This combined balance is \$9,133 greater than the previous year.

Over the course of the year, the Board of Trustees generally revises the District's budget based on financial updates provided by management of the District. These amendments involve moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs, or to react to originally unforeseen circumstances, such as unanticipated new revenues or unavoidable new costs. Amendments made during the year to the Security and Monitoring Services, Data Processing Services, and Facilities Acquisition & Construction functions in the General Fund and Food Services function in the Child Nutrition Fund were considered significant.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2023, the District had \$66,597,262 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

A summary of the ending balances of capital assets by major category for both 2023 and 2022 is as follows:

	Governmental Activities 2023	Governmental Activities 2022	Change
Land	\$ 3,781,091	\$ 3,781,091	\$ -
Construction in Progress	-	126,519	(126,519)
Buildings	81,258,796	79,902,908	1,355,888
Furniture and Equipment	4,218,394	3,620,219	598,175
Right to Use Leased Assets	4,124,245	3,959,937	164,308
SBITA Assets	100,609	-	100,609
Total	<u>93,483,135</u>	<u>91,390,674</u>	<u>2,092,461</u>
Less Accumulated Depreciation	<u>(26,885,873)</u>	<u>(22,967,365)</u>	<u>(3,918,508)</u>
Capital Assets, Net of Depreciation	<u>\$ 66,597,262</u>	<u>\$ 68,423,309</u>	<u>\$ (1,826,047)</u>

**SALADO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Debt

At year-end, the District had \$64,095,260 in bonds and other long-term debt outstanding versus \$65,999,521 last year. This decrease is attributable to the District making scheduled payments on its long-term debt during the year.

A summary of the ending balances of long-term debt by type for both 2023 and 2022 is as follows:

	Governmental Activities 2023	Governmental Activities 2022	Change
Bonds Payable	\$ 61,096,275	\$ 62,894,633	\$ (1,798,358)
Right to Use Leased Assets Payable	2,937,614	3,104,888	(167,274)
SBITA Liabilities	61,371	-	61,371
Total	\$ 64,095,260	\$ 65,999,521	\$ (1,904,261)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2023- 2024 budget and tax rates. Those factors include property values, changes in enrollment, the economy, projections of future budget years, and legislative mandates. The District has adopted a General Fund budget of approximately \$22.2 million for the 2023-2024 fiscal year. This reflects an approximate increase of \$525 thousand in originally budgeted expenditures from fiscal year 2022-2023 adopted to fiscal year 2023-2024.

For the 2023-2024 budget year, the District has decreased its maintenance and operations tax rate to \$0.7746 per hundred of taxable value. The District adopted a debt service tax rate of \$0.5000 for the 2023-2024 budget year in order to fund required debt payments in the coming year. The combined tax rate of the District for the 2023-2024 budget year is \$1.2746 per hundred of taxable value.

DISTRICT ACCOMPLISHMENTS

Our students were very successful again this past (2022-2023) school year. In fact, they earned 7th place out of 214 high schools in the 4A size classification of the Lone Star Cup rankings. Standings for the UIL Lone Star Cup are compiled via a year-long accumulation of points based on team success at the district and state level in UIL activities. We scored a total of 66 Lone Star Cup points in the following activities:

Academics – district championship (4 points), regional championship (4 points), second place in state (8 points) = 16 points; Volleyball – qualified for playoffs (2 points), district championship (2 points), won three rounds of playoffs (6 points) = 10 points; Girls’ soccer – qualified for playoffs (2 points), won four rounds of playoffs (8 points) = 10 points; Softball – qualified for playoffs (2 points), district championship (2 points), won two rounds of playoffs (4 points) = 8 points; Girls’ basketball – qualified for playoffs (2 points), won two rounds of playoffs (4 points) = 6 points; Boys’ soccer – qualified for playoffs (2 points), district championship (2 points), won one round of playoffs (2 points) = 6 points; Baseball – qualified for playoffs (2 points), won two rounds of playoffs (4 points) = 6 points; Football – qualified for playoffs (2 points) = 2 points; Team Tennis – qualified for playoffs (2 points) = 2 points.

In academics, we won the district championship out of the seven high schools in our UIL academic district. Salado High School earned 916.5 points and the second place school earned 216 points. In fact, the total of the other six schools was 782.5 points. We also won the regional academic championship out of the 56 high schools in our UIL academic region. This is the 23rd year in a row that we have won the regional academic championship. We finished 2nd place in the state academic competition out of 214 high schools in the 4A size classification.

SALADO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, at Salado Independent School District, P.O. Box 98, Salado, Texas 76571, or by calling (254) 947-6909.

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BASIC FINANCIAL STATEMENTS

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SALADO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

Data Control Codes	Primary Government			
	1 Governmental Activities	2 Business-Type Activities	3 Total	
ASSETS				
1110	Cash and Cash Equivalents	\$ 18,375,315	\$ 124,787	\$ 18,500,102
1225	Property Taxes Receivable, net	467,392	-	467,392
1240	Due from Other Governments	2,380,859	-	2,380,859
1290	Other Receivables, net	45,961	-	45,961
	Capital Assets:			
1510	Land Purchase and Improvements	3,781,091	-	3,781,091
1520	Buildings and Improvements, net	58,845,811	-	58,845,811
1530	Furniture and Equipment, net	1,184,565	-	1,184,565
1550	Right to Use Leased Assets, net	2,785,795	-	2,785,795
1000	Total Assets	<u>87,866,789</u>	<u>124,787</u>	<u>87,991,576</u>
DEFERRED OUTFLOWS OF RESOURCES				
1705	Deferred Outflows-Pension	4,803,977	-	4,803,977
1706	Deferred Outflows-OPEB	2,610,342	-	2,610,342
	Total Deferred Outflows of Resources	<u>7,414,319</u>	<u>-</u>	<u>7,414,319</u>
LIABILITIES				
2110	Accounts Payable	223,573	-	223,573
2140	Interest Payable	910,032	-	910,032
2150	Payroll Deductions and Withholdings	5,228	-	5,228
2160	Accrued Wages Payable	1,605,705	3,061	1,608,766
2200	Accrued Expenses	127,589	389	127,978
2300	Unearned Revenue	45,517	-	45,517
	Noncurrent Liabilities:			
2501	Due Within One Year	1,953,177	-	1,953,177
2502	Due in More Than One Year	62,142,083	-	62,142,083
2540	Net Pension Liability	5,704,163	-	5,704,163
2545	Other Post-Employment Benefits Liability	3,491,401	-	3,491,401
2000	Total Liabilities	<u>76,208,468</u>	<u>3,450</u>	<u>76,211,918</u>
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred Inflows-Pension	2,358,609	-	2,358,609
2606	Deferred Inflows-OPEB	5,411,691	-	5,411,691
	Total Deferred Inflows of Resources	<u>7,770,300</u>	<u>-</u>	<u>7,770,300</u>
NET POSITION				
3200	Net Investment in Capital Assets	3,238,149	-	3,238,149
	Restricted for:			
3820	Federal & State Programs	485,595	-	485,595
3850	Debt Service	11,424,249	-	11,424,249
3900	Unrestricted	(3,845,653)	121,337	(3,724,316)
3000	Total Net Position	<u>\$ 11,302,340</u>	<u>\$ 121,337</u>	<u>\$ 11,423,677</u>

The notes to the financial statements are an integral part of this statement.

SALADO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	1 Expenses	Program Revenues		
		3 Charges for Services	4 Operating Grants and Contributions	
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11	Instruction	\$ 14,438,868	\$ -	\$ 1,452,266
12	Instructional Resources & Media Services	255,262	-	2,917
13	Curriculum & Instructional Staff Development	124,514	-	29,142
21	Instructional Leadership	334,062	-	4,657
23	School Leadership	1,145,269	-	18,748
31	Guidance, Counseling, & Evaluation Services	1,010,084	-	245,352
32	Social Work Services	30,618	-	-
33	Health Services	247,705	-	70,189
34	Student Transportation	1,076,588	-	12,884
35	Food Services	1,068,314	408,320	197,996
36	Extracurricular Activities	2,991,501	1,088,326	16,078
41	General Administration	799,915	75,331	11,056
51	Facilities Maintenance and Operations	2,342,370	-	18,713
52	Security and Monitoring Services	224,781	-	5,214
53	Data Processing Services	880,298	-	10,115
72	Interest on Long-Term Debt	2,224,626	-	482,655
73	Bond Issuance Cost & Fees	14,125	-	-
93	Payments to Fiscal Agent of SSA	35,256	-	-
99	Other Intergovernmental Charges	199,181	-	-
TG	Total Governmental Activities:	<u>29,443,337</u>	<u>1,571,977</u>	<u>2,577,982</u>
BUSINESS-TYPE ACTIVITIES:				
01	Enterprise Fund - After School Care Program	<u>90,976</u>	<u>113,817</u>	<u>-</u>
TB	Total Business-Type Activities:	<u>90,976</u>	<u>113,817</u>	<u>-</u>
TP	TOTAL PRIMARY GOVERNMENT:	<u>\$ 29,534,313</u>	<u>\$ 1,685,794</u>	<u>\$ 2,577,982</u>
General Revenues:				
Taxes:				
MT	Property Taxes, Levied for General Purposes			
DT	Property Taxes, Levied for Debt Service			
SF	State Aid - Formula Grants			
GC	Grants and Contributions, not Restricted			
IE	Investment Earnings			
MI	Miscellaneous Local and Intermediate Revenue			
Total General Revenues				
CN	Change in Net Position			
NB	Net Position -- Beginning (as restated)			
NE	Net Position -- Ending			

The notes to the financial statements are an integral part of this statement.

Net (Expense) Rev. & Changes in Net Position		
6	7	8
Primary Gov.		
Governmental Activities	Business-Type Activities	Total
\$ (12,986,602)	\$ -	\$ (12,986,602)
(252,345)	-	(252,345)
(95,372)	-	(95,372)
(329,405)	-	(329,405)
(1,126,521)	-	(1,126,521)
(764,732)	-	(764,732)
(30,618)	-	(30,618)
(177,516)	-	(177,516)
(1,063,704)	-	(1,063,704)
(461,998)	-	(461,998)
(1,887,097)	-	(1,887,097)
(713,528)	-	(713,528)
(2,323,657)	-	(2,323,657)
(219,567)	-	(219,567)
(870,183)	-	(870,183)
(1,741,971)	-	(1,741,971)
(14,125)	-	(14,125)
(35,256)	-	(35,256)
(199,181)	-	(199,181)
<u>(25,293,378)</u>	<u>-</u>	<u>(25,293,378)</u>
-	22,841	22,841
-	22,841	22,841
<u>(25,293,378)</u>	<u>22,841</u>	<u>(25,270,537)</u>
12,835,976	-	12,835,976
7,496,074	-	7,496,074
6,825,248	-	6,825,248
240,915	-	240,915
472,920	-	472,920
1,120,729	-	1,120,729
<u>28,991,862</u>	<u>-</u>	<u>28,991,862</u>
3,698,484	22,841	3,721,325
7,603,856	98,496	7,702,352
<u>\$ 11,302,340</u>	<u>\$ 121,337</u>	<u>\$ 11,423,677</u>

SALADO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

Data	10	50		98
Control Codes	General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 5,927,046	\$ 11,265,187	\$ 1,183,082	\$ 18,375,315
1220 Property Taxes - Delinquent	385,534	198,708	-	584,242
1230 Allowance for Uncollectible Taxes (Credit)	(77,107)	(39,743)	-	(116,850)
1240 Due from Other Governments	1,383,954	15,205	981,700	2,380,859
1260 Due from Other Funds	906,717	-	8,762	915,479
1290 Other Receivables	45,961	-	-	45,961
1000A Total Assets and Deferred Outflows	<u>\$ 8,572,105</u>	<u>\$ 11,439,357</u>	<u>\$ 2,173,544</u>	<u>\$ 22,185,006</u>
LIABILITIES				
2110 Accounts Payable	\$ 221,892	\$ -	\$ 1,681	\$ 223,573
2150 Payroll Deductions and Withholdings	5,228	-	-	5,228
2160 Accrued Wages Payable	1,476,652	-	129,053	1,605,705
2170 Due to Other Funds	8,677	-	906,802	915,479
2200 Accrued Expenditures	107,019	-	20,570	127,589
2300 Unavailable Revenues	-	15,108	30,409	45,517
2000 Total Liabilities	<u>1,819,468</u>	<u>15,108</u>	<u>1,088,515</u>	<u>2,923,091</u>
DEFERRED INFLOWS OF RESOURCES				
2600 Deferred Inflows-Unavailable Revenues	308,427	158,965	-	467,392
Total Deferred Inflows of Resources	<u>308,427</u>	<u>158,965</u>	<u>-</u>	<u>467,392</u>
FUND BALANCES				
Restricted for:				
3450 Federal or State Funds Restricted	-	-	485,595	485,595
3480 Retirement of Long-Term Debt	-	11,265,284	-	11,265,284
Committed for:				
3545 Other Committed Fund Balance	-	-	599,434	599,434
Assigned for:				
3590 Other Assigned Fund Balance	293,144	-	-	293,144
3600 Unassigned Fund Balance	6,151,066	-	-	6,151,066
3000 Total Fund Balances	<u>6,444,210</u>	<u>11,265,284</u>	<u>1,085,029</u>	<u>18,794,523</u>
4000 Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 8,572,105</u>	<u>\$ 11,439,357</u>	<u>\$ 2,173,544</u>	<u>\$ 22,185,006</u>

The notes to the financial statements are an integral part of this statement.

SALADO INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2023

		1
Total Fund Balances - Governmental Funds	\$	18,794,523
1 Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	\$	93,483,135
Less accumulated depreciation	<u>(26,885,873)</u>	66,597,262
2 Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable, including unamortized premiums	(61,096,275)	
RTU Lease & SBITA payables	(2,998,985)	
Net pension liability	(5,704,163)	
Net OPEB liability	<u>(3,491,401)</u>	(73,290,824)
3 Accrued interest on long-term debt related to governmental fund activities is not due and payable in the current period and, therefore, not reported in the governmental funds.		(910,032)
4 Deferred outflows and inflows of resources related to pensions and other post-employment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	4,803,977	
Deferred inflows of resources related to pensions	(2,358,609)	
Deferred outflows of resources related to OPEB	2,610,342	
Deferred inflows of resources related to OPEB	<u>(5,411,691)</u>	(355,981)
5 Property taxes are recognized as revenue in the governmental funds when collected, but recognized on the Statement of Activities in the year levied. Therefore, property taxes receivable, net of allowance for uncollectible accounts, is added to the Statement of Net Position for governmental activities.		<u>467,392</u>
19 Net Position of Governmental Activities	\$	<u><u>11,302,340</u></u>

The notes to the financial statements are an integral part of this statement.

SALADO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

Data	10	50	98	Total
Control Codes	General Fund	Debt Service Fund	Other Funds	Governmental Funds
REVENUES				
5700 Local and Intermediate Sources	\$ 14,022,815	\$ 7,846,402	\$ 1,513,752	\$ 23,382,969
5800 State Program Revenues	7,990,663	136,127	281,587	8,408,377
5900 Federal Program Revenues	121,555	-	1,845,314	1,966,869
5020 Total Revenues	<u>22,135,033</u>	<u>7,982,529</u>	<u>3,640,653</u>	<u>33,758,215</u>
EXPENDITURES				
0011 Instruction	11,745,154	-	1,091,519	12,836,673
0012 Instructional Resources & Media Services	212,214	-	13,347	225,561
0013 Curriculum & Instructional Staff Development	81,067	-	26,406	107,473
0021 Instructional Leadership	296,507	-	-	296,507
0023 School Leadership	1,020,181	-	2,071	1,022,252
0031 Guidance, Counseling & Evaluation Services	691,680	-	203,083	894,763
0032 Social Work Services	26,423	-	-	26,423
0033 Health Services	160,468	-	58,674	219,142
0034 Student Transportation	1,151,170	-	1,219	1,152,389
0035 Food Services	-	-	956,053	956,053
0036 Extracurricular Activities	1,659,792	-	1,077,566	2,737,358
0041 General Administration	710,264	-	-	710,264
0051 Facilities Maintenance and Operations	2,061,802	-	201	2,062,003
0052 Security and Monitoring Services	328,933	-	4,100	333,033
0053 Data Processing Services	865,149	-	-	865,149
0071 Debt Service - Principal	290,662	1,550,000	-	1,840,662
0072 Debt Service - Interest	96,929	2,400,375	-	2,497,304
0073 Debt Service - Bond Issuance Costs	-	14,125	-	14,125
0081 Facilities Acquisition and Construction	1,199,332	-	197,281	1,396,613
0093 Payments to Fiscal Agent of SSA	35,256	-	-	35,256
0099 Other Intergovernmental Charges	199,181	-	-	199,181
6030 Total Expenditures	<u>22,832,164</u>	<u>3,964,500</u>	<u>3,631,520</u>	<u>30,428,184</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(697,131)</u>	<u>4,018,029</u>	<u>9,133</u>	<u>3,330,031</u>
OTHER FINANCING SOURCES (USES)				
7913 Proceeds from Right to Use Leased Assets	184,759	-	-	184,759
7080 Total Other Financing Sources (Uses)	<u>184,759</u>	<u>-</u>	<u>-</u>	<u>184,759</u>
1200 Net Change in Fund Balance	(512,372)	4,018,029	9,133	3,514,790
0100 Fund Balance - Beginning	6,956,582	7,247,255	1,075,896	15,279,733
3000 Fund Balance - Ending	<u>\$ 6,444,210</u>	<u>\$ 11,265,284</u>	<u>\$ 1,085,029</u>	<u>\$ 18,794,523</u>

The notes to the financial statements are an integral part of this statement.

SALADO INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Total Net Change in Fund Balances – Governmental Funds	\$ 3,514,790
1	Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.	
	Expenditures for capitalized assets	\$ 2,092,461
	Less current year depreciation	<u>(3,918,508)</u>
		(1,826,047)
2	Repayment of principal on bonds, notes, leases and SBITA is an expenditure in the governmental funds, but this expenditure is removed from the Statement of Activities and these repayments instead reduce long-term liabilities on the Statement of Net Position.	1,840,662
3	Issuance of long-term debt increases current financial resources to governmental funds, but this increase is not shown on the Statement of Activities and instead increases long-term liabilities on the Statement of Net Position.	(184,759)
4	Accumulated accretion on bonds issued by governmental activities is recognized only when paid in the governmental funds, but is treated as interest expense on the Statement of Activities as it accretes.	(76,049)
5	Since long-term debt is not recorded in governmental funds, amortization of related issuance premiums and discounts is also not recorded.	324,407
6	The change in accrued interest due on long-term debt issued for governmental activities does not affect current financial resources and therefore is not reported in the governmental funds.	24,320
7	Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. Therefore the uncollected amount of the current year levy is added to current year property tax revenue on the Statement of Activities.	114,707
8	Governmental funds report pension contributions as expenditures. However, pension contributions are reported as deferred outflows of resources on the Statement of Net Position if made after the net pension liability measurement date. In addition, the change in the net pension liability, adjusted for changes in deferred pension items, is reported as pension expense in the Statement of Activities.	(357,679)
9	Governmental funds report OPEB contributions as expenditures. However, OPEB contributions are reported as deferred outflows of resources on the Statement of Net Position if made after the net OPEB liability measurement date. In addition, the change in the net OPEB liability, adjusted for changes in deferred OPEB items, is reported as OPEB expense in the Statement of Activities.	324,132
	19 Change in Net Position of Governmental Activities	<u>\$ 3,698,484</u>

The notes to the financial statements are an integral part of this statement.

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SALADO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data	Budgeted Amounts		Actual	Variance With
Control Codes	Original	Final	Amounts (GAAP BASIS)	Final Budget
REVENUES				
5700 Local & Intermediate Sources	\$ 13,578,743	\$ 14,281,100	\$ 14,022,815	\$ (258,285)
5800 State Program Revenues	7,880,191	7,880,191	7,990,663	110,472
5900 Federal Program Revenues	198,268	360,682	121,555	(239,127)
5020 Total Revenues	<u>21,657,202</u>	<u>22,521,973</u>	<u>22,135,033</u>	<u>(386,940)</u>
EXPENDITURES				
Current:				
0011 Instruction	11,938,465	11,870,378	11,745,154	125,224
0012 Instructional Resources & Media Svcs.	219,474	224,696	212,214	12,482
0013 Curriculum & Instructional Staff Dev.	112,810	137,238	81,067	56,171
0021 Instructional Leadership	298,709	301,798	296,507	5,291
0023 School Leadership	1,008,971	1,022,577	1,020,181	2,396
0031 Guidance, Counseling & Evaluation Svcs.	721,522	711,785	691,680	20,105
0032 Social Work Services	26,423	26,423	26,423	-
0033 Health Services	158,245	162,363	160,468	1,895
0034 Student Transportation	1,199,157	1,178,884	1,151,170	27,714
0036 Extracurricular Activities	1,620,002	1,705,685	1,659,792	45,893
0041 General Administration	705,724	728,005	710,264	17,741
0051 Facilities Maintenance & Operations	2,143,800	2,222,920	2,061,802	161,118
0052 Security and Monitoring Services	75,145	377,154	328,933	48,221
0053 Data Processing Services	718,587	877,705	865,149	12,556
Debt Service:				
0071 Principal on Long Term Debt	255,436	296,152	290,662	5,490
0072 Interest on Long Term Debt	92,645	96,929	96,929	-
Capital Outlay:				
0081 Facilities Acquisition & Construction	133,810	1,411,287	1,199,332	211,955
Intergovernmental:				
0093 Payments to Fiscal Agent of SSA	45,000	45,000	35,256	9,744
0099 Other Intergovernmental Charges	183,277	203,277	199,181	4,096
6030 Total Expenditures	<u>21,657,202</u>	<u>23,600,256</u>	<u>22,832,164</u>	<u>768,092</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,078,283)	(697,131)	381,152
OTHER FINANCING SOURCES (USES)				
7913 Proceeds from Right to Use Leased Assets	-	-	184,759	184,759
7080 Total Other Financing Sources (Uses)	-	-	184,759	184,759
1200 Net Change in Fund Balances	-	(1,078,283)	(512,372)	565,911
0100 Fund Balance-July 1 (Beginning)	6,956,582	6,956,582	6,956,582	-
3000 Fund Balance-June 30 (Ending)	<u>\$ 6,956,582</u>	<u>\$ 5,878,299</u>	<u>\$ 6,444,210</u>	<u>\$ 565,911</u>

The notes to the financial statements are an integral part of this statement.

SALADO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

Data Control Codes	Business-Type Activities After School Care Program
ASSETS	
1110 Cash and Cash Equivalents	\$ 124,787
1000 Total Assets	<u>124,787</u>
LIABILITIES	
Current Liabilities:	
2160 Accrued Wages Payable	3,061
2200 Accrued Expenditures	389
2000 Total Liabilities	<u>3,450</u>
NET POSITION	
3900 Unrestricted Net Position	121,337
3000 Total Net Position	<u><u>\$ 121,337</u></u>

The notes to the financial statements are an integral part of this statement.

SALADO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

Data	Business-Type
Control	Activities
Codes	After School Care Program
OPERATING REVENUES	
5700 Local and Intermediate Sources	\$ 113,817
5020 Total Revenues	<u>113,817</u>
OPERATING EXPENSES	
6100 Payroll Costs	81,508
6300 Supplies and Materials	3,009
6400 Other Operating Costs	6,459
6030 Total Expenses	<u>90,976</u>
1300 Change in Net Position	22,841
0100 Total Net Position - Beginning	<u>98,496</u>
3300 Total Net Position - Ending	<u><u>\$ 121,337</u></u>

The notes to the financial statements are an integral part of this statement.

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SALADO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities
Data	
Control	After School
Codes	Care Program
<u>Cash Flows from Operating Activities</u>	
Cash Received from User Charges	\$ 113,817
Cash Payments to Employees for Services	(81,399)
Cash Payments to Suppliers	(3,009)
Cash Payments for Other Operating Activities	(6,455)
Net Cash Provided by (Used for) Operating Activities	22,954
Net Increase (Decrease) in Cash and Cash Equivalents	22,954
Cash and Cash Equivalents at the Beginning of the Year	101,833
Cash and Cash Equivalents at the End of the Year:	\$ 124,787
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided by (Used for) Operating Activities</u>	
Operating Income (Loss):	\$ 22,841
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (Decrease) in Wages Payable	109
Increase (Decrease) in Accrued Expenses	4
Net Cash Provided by (Used for) Operating Activities	\$ 22,954

The notes to the financial statements are an integral part of this statement.

SALADO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

Data Control Codes	828 Private- Purpose Trust Fund	829 Private- Purpose Trust Fund	865 Custodial Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 37,005	\$ 4,742	\$ 84,360
1000 Total Assets	<u>37,005</u>	<u>4,742</u>	<u>84,360</u>
LIABILITIES			
NET POSITION			
Restricted for:			
3800 Individuals and Organizations	37,005	4,742	84,360
3000 Total Net Position	<u>\$ 37,005</u>	<u>\$ 4,742</u>	<u>\$ 84,360</u>

The notes to the financial statements are an integral part of this statement.

SALADO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	828 Private- Purpose Trust Fund	829 Private- Purpose Trust Fund	865 Custodial Fund
ADDITIONS			
Contributions:			
5744 Foundations, Gifts, and Bequests	\$ -	\$ 1,200	\$ -
5750 Fundraising Activities	-	-	82,605
5020 Total Contributions	-	1,200	82,605
Investment Earnings:			
5742 Interest, Dividends, and Other	1,431	185	-
Total Additions	1,431	1,385	82,605
DEDUCTIONS			
6200 Professional and Contracted Services	-	-	7,549
6300 Supplies and Materials	-	-	31,177
6400 Other Operating Costs	-	1,200	15,232
6030 Total Deductions	-	1,200	53,958
1200 Net Increase/(Decrease) in Fiduciary Net Position	1,431	185	28,647
0100 Net Position - Beginning	35,574	4,557	55,713
3000 Net Position - Ending	\$ 37,005	\$ 4,742	\$ 84,360

The notes to the financial statements are an integral part of this statement.

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SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

This report includes those activities, organizations and functions related to Salado Independent School District (the “District”), which are controlled by or dependent upon the District’s governing body, the Board of Trustees (the “Board”). The Board, a seven member group, is the level of government having governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental “reporting entity” as defined by Statement No. 14 of the Governmental Accounting Standards Board (GASB), since Board members are elected by the public and have decision making authority. Furthermore, there are no legally separate organizations, known as “component units”, included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency (TEA) in its Financial Accountability System Resource Guide (FASRG). These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

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 on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. 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, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Custodial funds have no measurement focus. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 sixty 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.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Major revenue sources considered susceptible to accrual include state and federal program revenues and property taxes. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources within the governmental fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Major Funds and Fund Types

The District reports the following major governmental funds:

The General Fund includes financial resources that are not required to be reported separately in another fund. It is a budgeted fund, and any unrestricted fund balances are considered to be resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds.

Enterprise Funds are proprietary funds used to account for operations of the District whereby individuals or others are charged a fee for a specific benefit or service and there is a desire to measure a specific gain or loss on the activity.

Private Purpose Trust Funds are fiduciary funds used to account for donations for which the donors have stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District utilizes this fund type to account for money collected and held for the purpose of awarding scholarships to selected students.

Custodial Funds are fiduciary funds used to account for resources held for others in a custodial capacity. The District utilizes this fund type to account for funds held on behalf of student clubs and organizations.

Budgetary Information

Budgets are prepared annually for the General Fund, the Child Nutrition Fund, and the Debt Service Fund on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by the end of June and is adopted by the Board at a public meeting after public notice of the meeting has been given no earlier than the 30th day or later than the 10th day before the public hearing. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was monitored by the administration throughout the year and amendments were brought to the Board as needed.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Investments - The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The types of investments allowed under the Public Funds Investment Act are detailed in Note 2 - Deposits and Investments. The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policies. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments. Temporary investments throughout the year consisted of investments in external investment pools, which are recognized at amortized cost, and money market accounts.

Inventories - Inventories are generally not recorded in the General Fund or Child Nutrition Fund due to amounts of expendable supplies held or purchased food not being deemed material. When inventories are recorded, they are charged to expenditures when consumed. Amounts recorded are offset by a fund balance classification titled "nonspendable" which indicates that the inventory does not represent "available expendable resources."

Capital Assets - Capital assets, which include land, buildings and improvements, construction in progress, furniture and equipment, and vehicles are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000 and a useful life of greater than one year. Such assets are recorded at historical cost, if purchased, or estimated fair value at the date of donation, if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - fifteen to thirty years, furniture and equipment - three to twenty years, and vehicles - five to ten years.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed. When prepaid items are recorded, they are charged to expenditures when the value represented by the prepaid item has been used. Amounts recorded are offset by a fund balance classification titled "nonspendable" which indicates that the prepaid item amount does not represent "available expendable resources."

Ad Valorem Property Taxes - Delinquent taxes, when received, are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Accumulated Sick Leave Liability - The State of Texas (the "State") has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district's local Board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the state minimum.

Pensions - The fiduciary net position of the Teacher Retirement System of Texas ("TRS") has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Other Post-Employment Benefits - The fiduciary net position of the Teacher Retirement System of Texas TRS Care Plan (TRS-Care) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Deferred Outflows and Deferred Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent a consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Fund Balance/Deficit - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Statement of Cash Flows - For purposes of the statement of cash flows when Proprietary Funds are used, cash and cash equivalents include demand deposits.

Fair Value Measurements - The District adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity
- Level 3 are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes

The Data Control Codes shown on the financial statements refer to the account code structure prescribed by the FASRG. TEA requires school districts to display these codes in their financial statements to ensure accuracy in building a state-wide data base for policy development and funding plans.

2. DEPOSITS AND INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy for operating and custodial funds, in order of priority, are safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. The primary objective of the District's investment strategy for Debt Service and Capital Projects Funds is sufficient investment liquidity to meet related obligations.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Securities lending programs
- Banker's acceptances
- Commercial paper
- No-load money market mutual funds and no-load mutual funds
- Guaranteed investment contracts as an investment vehicle for bond proceeds
- Public funds investment pools

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. Therefore the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2023, the carrying amount of the District's deposits was \$10,003,076 and the bank balance was \$10,506,080. The District's deposits with financial institutions at June 30, 2023 and during the year ended June 30, 2023 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and the District maintains copies of all safekeeping receipts in the name of the District.

The District maintains a cash pool consisting of demand deposits. The combined pool is available for use by most Special Revenue Funds. If a fund overdraws its share of the pool, the overdraft is reported as an interfund payable in that fund. The offsetting interfund receivable is reported in the General Fund.

The following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a) Name of depository bank: Horizon Bank, Texas
- b) The amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$16,000,000.
- c) The largest cash, savings and time deposit combined account balance amounted to \$12,926,033 and occurred during the month of January 2023.
- d) Total amount of FDIC coverage at the time of highest combined balance was \$500,000.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Investments held at June 30, 2023 consisted of the following:

Investment Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local Government Investment Pools:			
Lone Star Investment Pool	\$ 17,598	1	AAAm
Texas CLASS	8,605,535	1	AAAm
Total Investments	<u>\$ 8,623,133</u>		

The District had investments in two external local governmental investment pool at June 30, 2023, consisting of the Lone Star Investment Pool and the Texas CLASS Local Investment Pool. For purposes of external financial reporting, these investments have been classified as Cash and Cash Equivalents in the financial statements due to their liquidity.

Lone Star (First Public)

The Corporate Overnight Fund is a fund within the Lone Star Investment Pool. Its objective is to maintain a stable \$1.00 per share net asset value (NAV), while it provides the highest possible rate of return. The fund represents one of three Texas public investment funds sponsored by the Texas Association of School Boards (TASB). The other funds--Government Overnight Fund and Corporate Overnight Plus Fund--also maintain S&P Global ratings. The Lone Star Investment Pool was created pursuant to the Interlocal Cooperation Act of the State of Texas as an investment vehicle for local school districts and other public entities. The funds within Lone Star Investment Pool are not registered mutual funds under the Investment Company Act of 1940, and are not available to individual investors.

The Lone Star Investment Pool is sponsored by TASB. The investment advisers to the pool are American Beacon Advisors and Standish. First Public LLC provides administrative and distribution services to the pool and State Street Bank is the custodian for all pool assets. In addition, CAPTRUST Financial Advisors monitors the pool's operations and performance and reports its findings to First Public and the board of trustees for the Lone Star Investment Pools.

Texas Class (Public Trust)

Texas CLASS is a local government investment pool created to meet the cash management and short-term investment needs of Texas governmental entities. Texas CLASS seeks to provide participants with a competitive market yield while maintaining daily liquidity and a stable net asset value. Fund management expects the fund to maintain a maximum dollar-weighted average maturity of 60 days or less, and all investments will have a maximum maturity of 397 days or less, except for variable rate securities issued by the U.S. Treasury or agencies in instrumentalities, which carry a maximum maturity of 762 days. Eligible investments include securities issued or guaranteed by the U.S. government, its agencies, or instrumentalities, and repurchase agreements.

Public Trust Advisors, LLC serves as the pool's administrator and investment adviser. The marketing and operation functions of the portfolio are also performed by Public Trust Advisors, LLC. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board, both of which are elected by the Texas CLASS Participants. Wells Fargo Bank, N.A. serves as custodian for the pool.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At June 30, 2023, investments were included in local governmental investment pools with ratings from Standard & Poor's in compliance with the District's investment policy.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At June 30, 2023, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. government. At June 30, 2023, the District had 100% of its investments in money market accounts and local governmental investment pools.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the District's investment policy requires that maturities will not exceed the weighted average maturity of 180 days for any internally created pool fund group and one year from the time of purchase for any other individual investment. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in the local governmental investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At June 30, 2023, investments were included in local government investment pools which have a weighted average maturity of one day.

3. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the "Code") which established a county-wide appraisal district and an appraisal review board in each county in the State. The Tax Appraisal District of Bell County (the "Appraisal District") is responsible for the recording and appraisal of all property in the District. Under the Code, the school board sets the tax rates on property and the Bell County Tax Assessor/Collector provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every three years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District's fiscal year. The assessed value at January 1, 2022, upon which the October 2022 levy was based was \$1,519,355,677. The District levied taxes based on a combined tax rate of \$1.3546 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

4. DUE FROM/TO OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. Grants and entitlements are recorded as revenue when earned, therefore at year end amounts earned but not yet received in cash may be recorded as due from the grantor government. Amounts already received in cash but not yet earned are recorded as due to the grantor government.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

A summary of amounts recorded as Due From/Due To Other Governments in the basic financial statements as of June 30, 2023 are summarized below:

Due From Other Governments:	General	Debt	Non-Major	
	Fund	Service Fund	Governmental	Total
	_____	_____	_____	_____
Governmental Activities:				
Foundation & Per Capita Entitlements	\$ 1,320,080	\$ -	\$ -	\$ 1,320,080
State Grants	37,728	-	161,514	199,242
Federal Grants	-	-	820,186	820,186
Miscellaneous	26,146	15,205	-	41,351
Total - Governmental Activities	\$ 1,383,954	\$ 15,205	\$ 981,700	\$ 2,380,859
	_____	_____	_____	_____

No amounts were recorded as Due to Other Governments for the year ended June 30, 2023.

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of operations, the individual funds of the District may engage in temporary borrowings of money between one another to meet liquidity needs. These interfund receivables and payables are recorded on the balance sheet of the loaning fund as “Due from Other Funds” and on the balance sheet of the borrowing fund as “Due to Other Funds”. Amounts are repaid when funds are available in the borrowing fund.

Individual funds may also make payments between one another which are intended to be permanent and therefore not repaid. These transactions are recorded on the statement of revenues, expenditures, and changes in fund balance as “Transfers Out” for the paying fund and “Transfers In” for the receiving fund.

During the year, the District did not record any interfund transfers.

The composition of interfund balances as of June 30, 2023 was as follows:

Receivable Fund	Payable Fund	Amount
_____	_____	_____
General Fund	Special Revenue Funds	\$ 906,717
Total General Fund		906,717

Special Revenue Funds	General Fund	8,677
	Special Revenue Funds	85
Total Special Revenue Funds		8,762
Grand Total		\$ 915,479

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance 7/1/22	Additions	Retirements	Adjustments	Ending Balance 6/30/23
Governmental Activities:					
Capital Assets, not Being Depreciated:					
Land	\$ 3,781,091	\$ -	\$ -	\$ -	\$ 3,781,091
Construction in Progress	126,519	197,282	-	(323,801)	-
Total Capital Assets, not Being Depreciated	<u>3,907,610</u>	<u>197,282</u>	<u>-</u>	<u>(323,801)</u>	<u>3,781,091</u>
Capital Assets, Being Depreciated:					
Buildings and Improvements	79,902,908	1,032,087	-	323,801	81,258,796
Furniture and Equipment	3,620,219	598,175	-	-	4,218,394
Right to Use Leased Assets	3,959,937	164,308	-	-	4,124,245
SBITA Assets	-	100,609	-	-	100,609
Total Capital Assets, Being Depreciated	<u>87,483,064</u>	<u>1,895,179</u>	<u>-</u>	<u>323,801</u>	<u>89,702,044</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(19,055,232)	(3,357,753)	-	-	(22,412,985)
Furniture and Equipment	(2,808,092)	(225,737)	-	-	(3,033,829)
Right to Use Leased Assets	(1,104,041)	(324,957)	-	-	(1,428,998)
SBITA Assets	-	(10,061)	-	-	(10,061)
Total Accumulated Depreciation	<u>(22,967,365)</u>	<u>(3,918,508)</u>	<u>-</u>	<u>-</u>	<u>(26,885,873)</u>
Governmental Activities Capital Assets, Net	<u>\$ 68,423,309</u>	<u>\$ (1,826,047)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,597,262</u>

Depreciation expense was charged to the functions of the District as follows:

Function	Depreciation Allocation
Instruction	\$ 2,075,378
Instructional Resources & Media Services	35,814
Curriculum & Instructional Staff Development	17,064
Instructional Leadership	47,078
School Leadership	162,309
Guidance, Counseling & Evaluation Services	142,067
Social Work Services	4,195
Health Services	34,794
Student Transportation	182,972
Food Services	151,798
Extracurricular Activities	434,627
General Administration	112,773
Facilities Maintenance and Operations	327,396
Security and Monitoring Services	52,878
Data Processing Services	137,365
Totals	<u>\$ 3,918,508</u>

SALADO INDEPENDENT SCHOOL DISTRICT
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7. BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES

Governmental activities long-term debt obligations at June 30, 2023 consisted of the following:

General Long-Term Debt Description	Outstanding at June 30, 2023
Bonds Payable:	
\$8,625,000 Series 2013 - CIBs Unlimited Tax Refunding Bonds due February 15, 2025; interest at 2.00% to 3.50%.	\$ 30,000
Series 2013 - Unlimited Tax Refunding Bonds - accumulated accretion, due February 15, 2025.	736,147
\$5,450,000 Series 2015 Unlimited Tax Refunding Bonds due in remaining annual installments of \$285,00 to \$1,355,000 through February 15, 2020; interest at 2.00% to 4.00%.	5,405,000
\$46,180,000 Series 2019 Unlimited Tax Refunding Bonds due in remaining annual installments of \$915,000 to \$2,640,000 through February 15, 2049; interest at 3.00% to 5.00%.	43,010,000
\$6,995,000 Series 2021 Unlimited Tax Refunding Bonds due in remaining annual installments of \$495,000 to \$1,030,000 through February 15, 2032; interest at 3.00% to 4.00%.	6,945,000
Right to Use Lease Assets Payable:	
\$3,300,000 RTU Lease Asset Payable for LED lighting and HVAC retrofit, due in remaining semi-annual installments of \$138,385 through 2035; interest at 3.1%.	2,850,091
\$186,725 RTU Lease Asset Payable for Copier Machines, due in remaining monthly installments of \$3,303 through 2024; interest at 2.35%.	3,188
\$7,675 RTU Lease Asset Payable for Copier Machines, due in remaining monthly installments of \$136 through 2025; interest at 2.35%.	1,741
\$40,893 RTU Lease Asset Payable for Copier Machines, due in remaining monthly installments of \$723 through 2025; interest at 2.35%.	16,936
\$84,150 RTU Lease Asset Payable for Modular Buildings, due in remaining monthly installments of \$1,851 through 2026; interest at 2.695%.	65,658
Subscription Based IT Arrangements Payable:	
\$50,520 Subscription Based IT Arrangement for Educational Technology Software Services, due in remaining annual installments of \$9,174 through 2027; interest at 1.1%.	35,716
\$50,089 Subscription Based IT Arrangement for Time and Attendance Software Services, due in one remaining annual installment of \$26,411 through 2024; interest at 2.945%.	25,655
Total General Long-Term Debt	<u>\$ 59,125,132</u>

The following is a summary of changes in long-term liabilities for the year ended June 30, 2023:

Type	Outstanding 7/1/22	Additions	Deletions	Outstanding 6/30/23	Due in One Year
Bonds Payable:					
General Obligation & Refunding Bonds	\$ 56,940,000	\$ -	\$ (1,550,000)	\$ 55,390,000	\$ 1,695,000
Premium on Issuance of Bonds	5,294,535	-	(324,407)	4,970,128	-
Accretion on Bonds	660,098	76,049	-	736,147	-
Total Bonds Payable	<u>62,894,633</u>	<u>76,049</u>	<u>(1,874,407)</u>	<u>61,096,275</u>	<u>1,695,000</u>
Other Long-Term Liabilities:					
RTU Lease Assets Payable	3,104,888	84,150	(251,424)	2,937,614	223,739
SBITA Liabilities	-	100,609	(39,238)	61,371	34,438
Total Other Long-Term Liabilities	<u>3,104,888</u>	<u>184,759</u>	<u>(290,662)</u>	<u>2,998,985</u>	<u>258,177</u>
Total Governmental Activities	<u>\$ 65,999,521</u>	<u>\$ 260,808</u>	<u>\$ (2,165,069)</u>	<u>\$ 64,095,260</u>	<u>\$ 1,953,177</u>

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District. The Texas Education Code generally limits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness would exceed \$0.50 per \$100 of assessed valuation of taxable property within the District.

Annual principal installments for outstanding bonds vary each year. The debt service requirements to maturity for general obligation bonds as of June 30, 2023 are as follows:

Year Ended June 30,	Bonds Payable			Total Requirements
	Principal	Accumulated Accretion	Interest	
2024	\$ 1,695,000	\$ -	2,338,400	\$ 4,033,400
2025	990,000	736,147	2,264,300	3,990,447
2026	1,830,000	-	2,216,300	4,046,300
2027	1,915,000	-	2,133,000	4,048,000
2028	2,000,000	-	2,045,800	4,045,800
2029-2033	11,425,000	-	8,916,550	20,341,550
2034-2038	11,750,000	-	6,348,550	18,098,550
2039-2043	9,555,000	-	4,316,600	13,871,600
2044-2048	11,590,000	-	2,274,938	13,864,938
2049	2,640,000	-	132,000	2,772,000
Total	\$ 55,390,000	\$ 736,147	\$ 32,986,438	\$ 89,112,585

Leases are defined by the general government as the right to use an underlying asset. As lessee, the District recognizes a lease liability and an intangible right-of-use lease asset at the beginning of a lease unless the lease is considered a short-term lease or transfers ownership of the underlying asset. Right-of-use lease assets are measured based on the net present value of the future lease payments at inception, using the weighted average cost of capital, which approximate the incremental borrowing rate. Remeasurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability.

The District calculates the amortization of the discount on the lease liability and report that amount as outflows of resources. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which the obligation was incurred.

The debt service requirements for right to use lease assets payable as of June 30, 2023 are as follows:

Year Ended June 30,	RTU Lease Assets Payable		Total Requirements
	Principal	Interest	
2024	\$ 223,739	\$ 88,855	\$ 312,594
2025	225,779	82,020	307,799
2026	223,773	75,215	298,988
2027	210,082	68,539	278,621
2028	214,740	62,030	276,770
2029-2033	1,178,621	205,231	1,383,852
2034-2036	660,880	31,046	691,926
Total	\$ 2,937,614	\$ 612,936	\$ 3,550,550

SALADO INDEPENDENT SCHOOL DISTRICT
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Subscription-Based Information Technology Arrangements (SBITA's) are defined as the right to use an underlying information technology subscription asset. The right to use assets are initially measured at an amount equal to the initial measurement of the related subscription liability plus any payments made prior to the subscription term, less incentives, and plus ancillary charges necessary to place the subscription into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

The District calculates the amortization of the discount on the lease liability and report that amount as outflows of resources. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which the obligation was incurred.

The debt service requirements for the District's SBITA liabilities as of June 30, 2023 are as follows:

Year Ended June 30,	SBITA Liabilities		Total Requirements
	Principal	Interest	
2024	\$ 34,438	\$ 1,147	\$ 35,585
2025	8,880	294	9,174
2026	8,977	197	9,174
2027	9,076	98	9,174
Total	\$ 61,371	\$ 1,736	\$ 63,107

8. TEACHER RETIREMENT SYSTEM OF TEXAS PENSION PLAN

A. Pension Plan Description

The Teacher Retirement System of Texas (TRS or System or Plan) is a public employee retirement system (PERS) that is a multiple-employer, cost-sharing, defined benefit pension plan with a special funding situation. The Plan is administered by the Board of Trustees of TRS. Information regarding the Board of TRS and its composition can be found within the separately issued TRS Annual Comprehensive Financial Report within Note 1 to the financial statements. That report may be obtained online at www.trs.texas.gov; by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592.

Benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits.

B. Benefits Provided

TRS provides retirement, disability, and death benefits. Membership in the Plan includes all employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, Title 8, Section 822.002.

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as a supplemental payment to the retirees. The pension became actuarially sound in May 2019 when the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provided gradual contribution increases from the state, participating employers and active employees for the fiscal years 2019 through 2024.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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C. Contributors to the Plan

Contributors to the Plan include active members, employers, and the State of Texas as the only non-employer contributing entity. The State is also the employer for senior colleges, medical schools, and state agencies, including TRS. In each respective role, the State contributes to the plan in accordance with State Statutes and the General Appropriations Act.

The number of participating employers during fiscal year 2022 are disclosed in the following table.

<u>Participating Employers</u>	
Independent School Districts	1,021
Charter Schools (open enrollment only)	197
Community and Junior Colleges	50
Senior Colleges and Universities	48
Regional Service Centers	20
Medical Schools	9
Educational Districts	2
State Agency	<u>1</u>
Total	<u><u>1,348</u></u>

Plan membership as of August 31, 2021 is shown in the following table. Because the actuarial valuation was based on a roll forward from fiscal year 2021 (see Section F), the Plan membership counts are as of August 31, 2021.

<u>Pension Plan Membership</u>	
Retired plan members or beneficiaries currently receiving benefits	458,133
Inactive plan members entitled to but not yet receiving benefits	501,241
Active plan members	<u>918,545</u>
	<u><u>1,877,919</u></u>

The Average Expected Remaining Service Life (AERSL) of 5.7052 years is based on membership information as of the beginning of the fiscal year.

D. Contributions

Contribution requirements are established or amended pursuant to the following state laws:

- Article 16, Section 67 of the Texas Constitution requires the legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.
- Government Code section 821.006 prohibits benefit improvements if it increases the amortization period of TRS' unfunded actuarial liability to greater than 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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As the non-employer contributing entity, the State of Texas contributes to the retirement system the current employer contribution rate times the aggregate annual compensation of all members of the Plan during the fiscal year, reduced by the employer contributions described below.

All participating employers and the State of Texas, as the employer for senior universities and medical schools, are required to pay the employer contribution rate in the following situations:

- On the portion of a member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code
- During a new member's first 90 days of employment
- When any or all of an employee's salary is paid by federal, private, local or non-educational and general funds
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees and 100 percent of the state contribution rate for all other employees.

Employers are also required to pay surcharges in the following cases:

- All public schools, charter schools and regional education service centers must contribute 1.7 percent of the member's salary beginning in fiscal year 2022, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of TRS, the employer shall pay an amount equal to the member contribution and the state contribution as an employment after retirement surcharge.

Contribution rates and amounts for active employees, participating employers, and the State of Texas for the current and prior fiscal year are shown below:

<u>Contribution Rates</u>	<u>2022</u>	<u>2023</u>
Members	8.00%	8.00%
Employer	7.75%	8.00%
State of Texas (NECE)	7.75%	8.00%
 <u>Contribution Amounts</u>		
Members	\$ 1,036,315	\$ 1,130,389
Employer	432,980	504,624
State of Texas (NECE)	897,439	905,820

E. Net Pension Liability

Components of the Net Pension Liability of the Plan as of August 31, 2022 are disclosed below:

<u>Components of Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 243,553,045,455
Less: Plan Fiduciary Net Position	(184,185,617,196)
Net Pension Liability	<u>\$ 59,367,428,259</u>
Net Position as Percentage of Total Pension Liability	<u>75.62%</u>

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

F. Actuarial Methods and Assumptions

Roll Forward

The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the total pension liability to August 31, 2022.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the four year period ending August 31, 2021 and were adopted in July 2022.

The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioners Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published projection scale ("U-MP"). The active mortality rates were based on the published PUB(2010) Mortality Tables for Teachers, below median, also with full generational mortality.

The long-term expected rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022 are summarized in the chart below:

Asset Class	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return*	Expected Contribution to Long- Term Portfolio Returns
Global Equity			
USA	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	75.00%
Private Equity*	14.00%	7.70%	1.50%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return*	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	18.00%
Real Return			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources and Infrastructure	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
Risk Parity	8.00%	4.60%	43.00%
Asset Allocation Leverage			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	(6.00)%	3.60%	-0.05%
Inflation Expectation			2.70%
Volatility Drag****			-0.91%
Expected Return	<u>100.00%</u>		<u>8.19%</u>

*Absolute Return includes Credit Sensitive Investments.

**Target allocations are based on the FY2022 policy model.

***Capital Market Assumptions come from Aon Hewitt (as of 08/31/2022)

****The volatility drag results from the conversion between arithmetic and geometric mean returns.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The following table discloses the assumptions that were applied to this measurement period.

Actuarial Methods and Assumptions

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-Term Expected Rate	7.00%
Municipal Bond Rate as of August 2022	3.91% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 years)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions please see the actuarial valuation report dated November 12, 2021.

G. Discount Rate

A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the nonemployer contributing entity will be made at the rates set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

H. Change of Assumptions Since the Prior Measurement Date

The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

I. Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

The following table presents the net pension liability of the plan using the discount rate of 7.00 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption			
	1% Decrease 6.00%	Current Single Discount Rate 7.00%	1% Increase 8.00%
District's Proportionate Share of the Net Pension Liability:	\$ 8,873,515	\$ 5,704,163	\$ 3,135,255

SALADO INDEPENDENT SCHOOL DISTRICT
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J. District Net Pension Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, and Pension Expense

The Net Pension Liability of the Plan as a whole was last measured as of August 31, 2022 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The District was assigned a proportion of the Plan's Net Pension Liability based on the District's contributions to the Plan relative to the contributions of all employers for the period September 1, 2021 through August 31, 2022.

The table below presents a two-year comparison of the District's assigned proportion and resulting proportionate share of the collective Net Pension Liability, as well as the State's proportionate share of the Net Pension Liability associated with the District.

	Measurement Date		Change
	8/31/21	8/31/22	
District's Proportion of the Collective Net Pension Liability	0.000085789800	0.000096082372	0.000010292572
District's Proportionate Share of the Net Pension Liability	\$ 2,184,763	\$ 5,704,163	\$ 3,519,400
State's Proportionate Share of the Net Pension Liability Associated with the District	4,546,442	9,822,830	5,276,388
Total Pension Liability	<u>\$ 6,731,205</u>	<u>\$ 15,526,993</u>	<u>\$ 8,795,788</u>

At June 30, 2023, Salado Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 82,710	\$ 124,362
Changes in actuarial assumptions	1,062,871	264,897
Difference between projected and actual investment earnings	2,216,296	1,652,743
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,011,925	316,607
Contributions paid to TRS subsequent to the measurement date	430,175	-
Total	<u>\$ 4,803,977</u>	<u>\$ 2,358,609</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions (not including the deferred contribution paid subsequent to the measurement date) will be recognized in pension expense as follows:

Measurement Year Ended August 31,	Pension Expense Amount
2023	\$ 544,152
2024	324,641
2025	152,457
2026	815,721
2027	178,222
Thereafter	-

For the year ended June 30, 2023, Salado Independent School District recognized pension expense of \$357,679 and revenue of \$938,951 for support provided by the State.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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9. EMPLOYEE HEALTH CARE COVERAGE

During the year ended June 30, 2023, employees of the District were covered by the state-wide health insurance plan, TRS Active Care. The District contributed \$325 per month per employee to the Plan, the State provided an additional \$75 per month per employee, and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. TRS manages TRS Active Care. The Plan is administered by Aetna while Caremark was assigned the prescription drug plan.

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN – TRS-CARE

A. Plan Description

The Texas Public School Retired Employees Group Insurance Program (TRS-Care) is a multiple- employer, cost-sharing, defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The Board of Trustees of TRS administers the TRS-Care program and the related fund in accordance with the Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards. Further detailed information regarding TRS and TRS-Care is available in a separately issued Annual Comprehensive Financial Report for TRS that includes financial statements and required supplementary information. That report may be obtained online at www.trs.texas.gov; by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592.

B. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional service centers, and other educational districts who are members of the TRS pension system. Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

The General Appropriations Act passed by the 86th Legislature included funding to maintain TRS-Care premiums at their current level through 2021. The 86th legislature also passed Senate Bill 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at \$300,000,000 as of August 31, 2022.

C. Contributors to TRS-Care

Contributors to the plan include active and retired members, employers, and the State of Texas as the only non-employer contributing entity.

During fiscal year 2022, the number of participating employers are presented in the following table.

<u>Participating Employers</u>	
Independent School Districts	1,020
Open Enrollment Charter Schools	197
Regional Service Centers	20
Other Educational Districts	<u>2</u>
Total	<u><u>1,239</u></u>

SALADO INDEPENDENT SCHOOL DISTRICT
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TRS-Care plan membership as of August 31, 2021 is shown in the following table. Because the actuarial valuation was based on a roll-forward (See Section F), the counts are as of that date.

<u>TRS-Care Plan Membership</u>	
Active plan members	751,105
Inactive plan members currently receiving benefits	188,016
Inactive plan members entitled to but not yet receiving benefits	13,014
Total	952,135

The Average Expected Remaining Service Life (AERSL) of 9.2179 is based on the membership information as of the beginning of the fiscal year.

D. Contributions

Contribution rates for the TRS-Care plan are established in State Statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions; and contributions from the state, active employees, and participating employers are based on active employee compensation. The TRS Board does not have the authority to set or amend contribution rates.

At the inception of the plan, funding was projected to last 10 years through fiscal year 1995. The original funding was sufficient to maintain the solvency of the fund through fiscal year 2000. Since that time, appropriations and contributions have been established to fund the benefits for each successive biennium.

Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee rate which is 0.65 percent of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2022.

Contribution rates and amounts for active employees, participating employers, and the State of Texas for the current and prior fiscal year are shown on the next page.

<u>Contribution Rates</u>	<u>2022</u>	<u>2023</u>
Members	0.65%	0.65%
Employer	0.75%	0.75%
State of Texas	1.25%	1.25%
Federal/Private Funding*	1.25%	1.25%
 <u>Contribution Amounts</u>		
Members	\$ 84,716	\$ 91,844
Employer	116,740	130,025
State of Texas (NECE)	158,372	159,851

* Contributions paid from federal funds and private grants are remitted by the employer and paid at the State rate.

All employers whose employees are covered by the TRS pension plan are also required to pay a surcharge of \$535 per month when employing a retiree of TRS. The TRS-Care surcharges for fiscal year 2022 totaled \$11,849,525.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

A supplemental appropriation was authorized by Senate Bill 8 of the third-called legislature that granted \$83 million to TRS-Care from the federal American Rescue Plan Act (ARPA) to help defray Covid-19-related health care costs during fiscal year 2022. The premium rates for retirees are reflected in the following table.

The premium rates for retirees are reflected in the following table.

TRS-Care Monthly Premium Rates			
	Medicare	Non-Medicare	
Retiree or Surviving Spouse	\$ 135	\$	200
Retiree and Spouse	529		689
Retiree or Surviving Spouse and Children	468		408
Retiree and Family	1,020		999

E. Net OPEB Liability

Components of the Net OPEB Liability of the TRS-Care plan as of August 31, 2022 are disclosed in the following table.

<u>Components of OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 27,061,942,520
Less: Plan Fiduciary Net Position	<u>(3,117,937,218)</u>
Net OPEB Liability	<u>\$ 23,944,005,302</u>
Net Position as a Percentage of Total OPEB Liability	11.52%

The Net OPEB Liability decreased by \$14.7 billion, from \$38.6 billion as of August 31, 2021, to \$23.9 billion as of August 31, 2022. The decrease was due to a combination of favorable claims experience, changes in participation assumptions, and a large increase in the discount rate from 1.95 percent to 3.91 percent.

F. Actuarial Methods and Assumptions

Roll Forward

The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2022.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex.

Demographic Assumptions

The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of the Teacher Retirement System of Texas (TRS). The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

Mortality Assumptions

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Election Rates

Normal Retirement - 65 percent participation rate prior to age 65 and 25 percent participation rate after age 65.
Pre-65 retirees - 30 percent of pre-65 retirees are assumed to discontinue coverage at age 65.

Health Care Trend Rates

The initial medical trend rates were 8.25 percent for Medicare retirees and 7.25 percent for non-Medicare retirees. The initial prescription drug trend rate was 8.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 13 years.

Actuarial Methods and Assumptions

Valuation Date	August 31, 2021, rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 2022
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

G. Discount Rate

A single discount rate of 3.91 percent was used to measure the total OPEB liability. This was an increase of 1.96 percent in the discount rate since the previous year. Since the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate.

H. Change of Assumptions Since the Prior Measurement Date

The single discount rate changed from 1.95 percent as of August 31, 2021 to 3.91 percent, as of August 31, 2022. Lower participation rates and updates to the health care trend rate assumptions were also factors that decreased the Total OPEB Liability.

I. Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption

The following presents the Net OPEB Liability of the plan using the discount rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 2.91 percent or one percentage point higher, 4.91 percent, than the AA/Aa rate. The source for the rate is the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index", as of August 31, 2022.

Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption			
	1% Decrease 2.91%	Current Single Discount Rate 3.91%	1% Increase 4.91%
District's Proportionate Share of the Net OPEB Liability	\$ 4,116,638	\$ 3,491,401	\$ 2,984,878

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

J. Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one-percent higher than the assumed healthcare cost trend rate.

Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumption			
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	\$ 2,876,930	\$ 3,491,401	\$ 4,287,983

K. District Net OPEB Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, and OPEB Expense

The Net OPEB Liability of the TRS-Care program as a whole was last measured as of August 31, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District was assigned a proportion of TRS Care's Net OPEB Liability based on the District's contributions to the program relative to the contributions of all employers for the period September 1, 2021 through August 31, 2022.

The table below presents a two-year comparison of the District's assigned proportion and resulting proportionate share of the collective Net OPEB Liability, as well as the State's proportionate share of the Net OPEB Liability associated with the District.

The table below presents a two-year comparison of the District's assigned proportion and resulting proportionate share of the collective Net OPEB Liability, as well as the State's proportionate share of the Net OPEB Liability associated with the District.

	Measurement Date		Change
	8/31/21	8/31/22	
District's Proportion of the Collective Net OPEB Liability	0.000139851777	0.000145815228	0.000005963451
District's Proportionate Share of the Net OPEB Liability	\$ 5,394,708	\$ 3,491,401	\$ (1,903,307)
State's Proportionate Share of the Net OPEB Liability Associated with the District	7,227,706	4,258,960	(2,968,746)
Total OPEB Liability	\$ 12,622,414	\$ 7,750,361	\$ (4,872,053)

At June 30, 2023, Salado Independent School District reported its proportionate share of TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 194,110	\$ 2,908,650
Changes in actuarial assumptions	531,809	2,425,617
Difference between projected and actual investment earnings	10,438	38
Change in proportion and difference between the employer's contributions and the proportionate share of contributions	1,763,821	77,386
Contributions paid to TRS subsequent to the measurement date	110,164	-
Total	\$ 2,610,342	\$ 5,411,691

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

The net amounts of the employer’s balances of deferred outflows and inflows of resources related to OPEB (not including the deferred contribution paid subsequent to the measurement date) will be recognized in OPEB expense as follows:

Measurement Year Ended August 31,	OPEB Expense Amount
2023	\$ (590,418)
2024	(590,382)
2025	(442,323)
2026	(241,876)
2027	(375,568)
Thereafter	(670,946)

For the year ended June 30, 2023, Salado Independent School District recognized OPEB expense of (\$640,381) and revenue of (\$324,132) for support provided by the State.

11. FRINGE BENEFITS PAID BY OTHER GOVERNMENTS

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2023 and June 30, 2022, the subsidy payments received by TRS-Care on behalf of the District were \$78,167 and \$55,298, respectively.

12. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, the Board, or an official or body that has been delegated authority by the Board, may appropriate amounts that are to be used for a specific purpose. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District’s General Fund.

A detail of the fund balance amounts within each category is included on the governmental funds balance sheet.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District’s highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated authority to the Superintendent to assign fund balance for a specific purpose. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

13. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

Type	Non-Major						Total
	General Fund	Debt Service Fund	Governmental Funds	Proprietary Funds	Trust Funds	Custodial Funds	
Property Taxes	\$ 12,770,019	\$ 7,447,324	\$ -	\$ -	\$ -	\$ -	\$ 20,217,343
Tuition and Fees	12,475	-	-	113,817	-	-	126,292
Investment Income	315,270	399,078	73,842	-	1,616	-	789,806
Rent	75,331	-	-	-	-	-	75,331
Gifts	31,860	-	-	-	1,200	-	33,060
Insurance Recovery	705,354	-	-	-	-	-	705,354
Food Sales	-	-	408,319	-	-	-	408,319
Athletics	56,735	-	-	-	-	-	56,735
Extracurricular Activities	-	-	-	-	-	82,605	82,605
Enterprising Revenues	-	-	1,031,591	-	-	-	1,031,591
Misc. Local Revenue	55,771	-	-	-	-	-	55,771
Total	\$ 14,022,815	\$ 7,846,402	\$ 1,513,752	\$ 113,817	\$ 2,816	\$ 82,605	\$ 23,582,207

14. UNEARNED REVENUE

Unearned revenue at June 30, 2023 consisted of the following amounts:

Fund	Local Revenue	State Grants	Total
Debt Service Fund	\$ -	\$ 15,108	\$ 15,108
Non-Major Governmental Funds	22,558	7,851	30,409
Total	\$ 22,558	\$ 22,959	\$ 45,517

15. RISK MANAGEMENT

The District’s risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers’ compensation, and other miscellaneous bonds. During the year ended June 30, 2023, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

16. COMMITMENTS AND CONTINGENCIES

The District participates in a number of federal financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of *Government Auditing Standards* and when applicable, the Uniform Guidance, for the year ended June 30, 2023, these programs are subject to financial and compliance audits performed by the specific grantors. These audits, if performed, could result in amounts of expenditures being disallowed by the granting agencies and subject to repayment. The District however expects that such amounts, if any, would be immaterial.

17. UNEMPLOYMENT COMPENSATION POOL

During the year ended June 30, 2023, Salado Independent School District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended June 30, 2023, the Fund anticipates that Salado Independent School District has no additional liability beyond the contractual obligation for payment of contribution. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2022, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

18. IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING STANDARD

During the year the District implemented Governmental Accounting Standards Board Statement No. 96 – *Subscription-Based Information Technology Arrangements* (“GASB 96”). The objective of GASB 96 is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for Subscription Based Information Technology Arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. At the commencement of the subscription term, a government should recognize a subscription liability and an intangible right-to-use asset (a capital asset). The commencement of the subscription term occurs when the initial implementation stage is completed, at which time the government has obtained control of the right to use the underlying IT assets, and therefore, the subscription asset is placed into service.

The District has recorded SBITAs as a result of implementing GASB 96. The right to use assets are initially measured at an amount equal to the initial measurement of the related subscription liability plus any payments made prior to the subscription term, less incentives, and plus ancillary charges necessary to place the subscription into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

In the year of implementation, GASB 96 requires a retroactive restatement of prior periods to reflect the effect on the net position as if the standard had been in effect in prior years. However, the District's only SBITAs that were required to be recorded were subscriptions whereby the District entered into the arrangements after the beginning of the fiscal year ended June 30, 2023. Therefore, a restatement was not required.

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REQUIRED SUPPLEMENTARY INFORMATION

SALADO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2023

	Measurement Year			
	2022	2021	2020	2019
District's Proportion of the Net Pension Liability	0.0096082372%	0.8578980000%	0.0069977966%	0.0083853398%
District's Proportionate Share of the Net Pension Liability	\$ 5,704,163	\$ 2,184,763	\$ 3,747,877	\$ 4,358,962
State's Proportionate Share of the District Net Pension Liability	9,822,830	4,546,442	8,901,841	7,538,160
Total Pension Liability	<u>\$ 15,526,993</u>	<u>\$ 6,731,205</u>	<u>\$ 12,649,718</u>	<u>\$ 11,897,122</u>
District's Covered-Employee Payroll	\$ 13,033,148	\$ 12,295,359	\$ 10,802,511	\$ 9,967,340
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	43.77%	17.77%	34.69%	43.73%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	75.62%	88.79%	75.54%	75.24%

The amounts presented are determined as of the Plan's measurement year which was as of August 31 in each prior calendar year from the District's fiscal year end.

This schedule reflects the available years of data since the adoption of GASB 68.

Measurement Year				
2018	2017	2016	2015	2014
0.0082054544%	0.0072624278%	0.0064772931%	0.0062096000%	0.0029766000%
\$ 4,516,481	\$ 2,322,133	\$ 2,447,673	\$ 2,195,011	\$ 795,092
<u>7,969,119</u>	<u>4,664,235</u>	<u>5,053,303</u>	<u>4,779,405</u>	<u>4,042,918</u>
<u>\$ 12,485,600</u>	<u>\$ 6,986,368</u>	<u>\$ 7,500,976</u>	<u>\$ 6,974,416</u>	<u>\$ 4,838,010</u>
\$ 9,263,341	\$ 7,182,552	\$ 7,090,930	\$ 6,682,804	\$ 6,504,929
48.76%	32.33%	34.52%	32.85%	12.22%
73.74%	82.17%	78.00%	78.43%	83.25%

SALADO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2023

	Fiscal Year			
	2023	2022	2021	2020
Contractually Required Contribution	\$ 504,624	\$ 432,980	\$ 350,125	\$ 285,277
Contribution in Relation to the Contractually Required Contribution	<u>(504,624)</u>	<u>(432,980)</u>	<u>(350,125)</u>	<u>(285,277)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 14,129,867	\$ 13,033,148	\$ 12,295,359	\$ 10,802,511
Contributions as a Percentage of Covered-Employee Payroll	3.57%	3.32%	2.85%	2.64%

The amounts presented are as of the District's fiscal year end of June 30.

This schedule reflects the available years of data since the inception of GASB 68 and will eventually reflect ten years of data.

Fiscal Year				
2019	2018	2017	2016	2015
\$ 291,655	\$ 261,779	\$ 196,748	\$ 210,787	\$ 183,869
<u>(291,655)</u>	<u>(261,779)</u>	<u>(196,748)</u>	<u>(210,787)</u>	<u>(183,869)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,967,340	\$ 9,263,341	\$ 7,182,552	\$ 7,090,930	\$ 6,682,804
2.93%	2.83%	2.74%	2.97%	2.75%

SALADO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PLAN
FOR THE YEAR ENDED JUNE 30, 2023

	Measurement Year			
	2022	2021	2020	2019
District's Proportion of the Net Liability for Other Post Employment Benefits	0.0145815228%	0.0139851777%	0.0121412522%	0.0115211115%
District's Proportionate Share of the Net Post Employment Benefit Liability	\$ 3,491,401	\$ 5,394,708	\$ 4,615,438	\$ 5,448,476
State's Proportionate Share of the Net Post Employment Benefit Liability Associated with the District	4,258,960	7,227,706	6,202,043	7,239,804
Total Other Post Employment Benefits Liability	<u>\$ 7,750,361</u>	<u>\$ 12,622,414</u>	<u>\$ 10,817,481</u>	<u>\$ 12,688,280</u>
District's Covered Payroll	\$ 13,033,148	\$ 12,295,359	\$ 10,802,511	\$ 9,967,340
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	26.79%	43.88%	42.73%	54.66%
Plan Fiduciary Net Position as a Percentage of the Total Net OPEB Liability	11.52%	6.18%	4.99%	2.66%

The amounts presented are determined as of the Plan's measurement year which was as of August 31 in each prior calendar year from the District's fiscal year end.

This schedule reflects the available years of data since the adoption of GASB 75.

<u>Measurement Year</u>	
<u>2018</u>	<u>2017</u>
0.0117441719%	0.0106543337%
\$ 5,863,973	\$ 4,633,170
<u>8,202,529</u>	<u>7,103,886</u>
<u>\$ 14,066,502</u>	<u>\$ 11,737,056</u>
\$ 9,263,341	\$ 7,182,552
63.30%	64.51%
1.57%	0.91%

SALADO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PLAN
FOR THE YEAR ENDED JUNE 30, 2023

	Fiscal Year			
	2023	2022	2021	2020
Contractually Required Contribution	\$ 130,025	\$ 116,740	\$ 96,860	\$ 84,788
Contribution in Relation to the Contractually Required Contribution	<u>(130,025)</u>	<u>(116,740)</u>	<u>(96,860)</u>	<u>(84,788)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 14,129,867	\$ 13,033,148	\$ 12,295,359	\$ 10,802,511
Contributions as a Percentage of Covered Payroll	0.92%	0.90%	0.79%	0.78%

The amounts presented are as of the District's fiscal year end of June 30.

This schedule reflects the available years of data since the inception of GASB 75 and will eventually reflect ten years of data.

Fiscal Year		
2019	2018	2017
\$ 79,656	\$ 72,976	\$ 44,854
(79,656)	(72,976)	(44,854)
\$ -	\$ -	\$ -
\$ 9,967,340	\$ 9,263,341	\$ 7,182,552
0.80%	0.79%	0.62%

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SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

Teacher Retirement System

Actuarial Assumptions

The information presented in the required supplementary schedules was used in the actuarial valuation for determining the actuarially determined contribution rate and the Net Pension Liability in accordance with GASB 68. Actuarial methods and assumptions used for funding purposes can be found in the Teacher Retirement System of Texas Pension Plan note to the financial statements.

Changes of Benefit Terms

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as a supplemental payment to the retirees. The pension became actuarially sound in May 2019 when the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provided gradual contribution increases from the state, participating employers and active employees for the fiscal years 2019 through 2024.

Changes of Assumptions

- The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability.
- These new assumptions were adopted in conjunction with an actuarial experience study.
- The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

Texas Public School Retired Employees Group Insurance Plan

Actuarial Assumptions

Actuarial methods and assumptions used for funding purposes can be found in the Other Post-Employment Benefits (OPEB) Plan – TRS-Care note to the financial statements.

Changes of Benefit Terms

The General Appropriations Act passed by the 86th Legislature included funding to maintain TRS-Care premiums at their current level through 2021. The 86th legislature also passed Senate Bill 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at \$300,000,000 as of August 31, 2022.

Changes of Assumptions Since the Prior Measurement Date

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- The single discount rate changed from 1.95 percent as of August 31, 2021 to 3.91 percent, as of August 31, 2022.
- Lower participation rates and updates to the health care trend rate assumptions were also factors that decreased the Total OPEB Liability.

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

SALADO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2023

Data	211	224	225
Control Codes	ESEA, Title I, Part A	IDEA-Part B, Formula	IDEA-Part B, Preschool
ASSETS			
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240 Due from Other Governments	62,888	122,300	438
1260 Due from Other Funds	-	-	-
1000A Total Assets and Deferred Outflows	<u>\$ 62,888</u>	<u>\$ 122,300</u>	<u>\$ 438</u>
LIABILITIES			
2110 Accounts Payable	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	13,553	41,295	-
2170 Due to Other Funds	46,486	73,699	438
2200 Accrued Expenditures	2,849	7,306	-
2300 Unearned Revenues	-	-	-
2000 Total Liabilities	<u>62,888</u>	<u>122,300</u>	<u>438</u>
FUND BALANCES			
Restricted for:			
3450 Federal or State Funds Restricted	-	-	-
Committed for:			
3545 Other Committed Fund Balance	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liab., Def. Inflows & Fund Balances	<u>\$ 62,888</u>	<u>\$ 122,300</u>	<u>\$ 438</u>

240	255	279	281	282	283
National Breakfast and Lunch Program	ESEA, Title II, Part A	TCLAS - ESSER III	ESSER II	ESSER III	ESSER -SUPP of ARP
\$ 547,529	\$ -	\$ -	\$ -	\$ -	\$ -
-	12,622	26,226	151,240	236,554	189,276
-	-	-	-	-	-
<u>\$ 547,529</u>	<u>\$ 12,622</u>	<u>\$ 26,226</u>	<u>\$ 151,240</u>	<u>\$ 236,554</u>	<u>\$ 189,276</u>
\$ 1,681	\$ -	\$ -	\$ -	\$ -	\$ -
22,889	6,958	-	-	11,124	21,054
3,466	4,866	26,226	151,240	223,892	164,710
3,489	798	-	-	1,538	3,512
30,409	-	-	-	-	-
<u>61,934</u>	<u>12,622</u>	<u>26,226</u>	<u>151,240</u>	<u>236,554</u>	<u>189,276</u>
485,595	-	-	-	-	-
-	-	-	-	-	-
<u>485,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 547,529</u>	<u>\$ 12,622</u>	<u>\$ 26,226</u>	<u>\$ 151,240</u>	<u>\$ 236,554</u>	<u>\$ 189,276</u>

SALADO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2023

Data Control Codes	284	285	289
	IDEA-Part B, Formula-ARP	IDEA - Part B, Preschool - ARP	Federally Funded Special Revenue Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240 Due from Other Governments	13,812	1,044	3,786
1260 Due from Other Funds	-	-	-
1000A Total Assets and Deferred Outflows	<u>\$ 13,812</u>	<u>\$ 1,044</u>	<u>\$ 3,786</u>
LIABILITIES			
2110 Accounts Payable	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	-	-	2,619
2170 Due to Other Funds	13,812	1,044	930
2200 Accrued Expenditures	-	-	237
2300 Unearned Revenues	-	-	-
2000 Total Liabilities	<u>13,812</u>	<u>1,044</u>	<u>3,786</u>
FUND BALANCES			
Restricted for:			
3450 Federal or State Funds Restricted	-	-	-
Committed for:			
3545 Other Committed Fund Balance	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liab., Def. Inflows & Fund Balances	<u>\$ 13,812</u>	<u>\$ 1,044</u>	<u>\$ 3,786</u>

EXHIBIT H-1 (CONCLUDED)

397	410	429	461	
Advanced Placement Incentives	State Instructional Materials Fund	State Funded Special Revenue Funds	Campus Activity Funds	Total Non-Major Governmental Funds
\$ 85	\$ 44,796	\$ -	\$ 590,672	\$ 1,183,082
-	4,232	157,282	-	981,700
-	-	-	8,762	8,762
<u>\$ 85</u>	<u>\$ 49,028</u>	<u>\$ 157,282</u>	<u>\$ 599,434</u>	<u>\$ 2,173,544</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,681
-	-	9,561	-	129,053
85	49,028	146,880	-	906,802
-	-	841	-	20,570
-	-	-	-	30,409
<u>85</u>	<u>49,028</u>	<u>157,282</u>	<u>-</u>	<u>1,088,515</u>
-	-	-	-	485,595
-	-	-	599,434	599,434
-	-	-	599,434	1,085,029
<u>\$ 85</u>	<u>\$ 49,028</u>	<u>\$ 157,282</u>	<u>\$ 599,434</u>	<u>\$ 2,173,544</u>

SALADO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

Data	211	224	225
Control Codes	ESEA, Title I, Part A	IDEA-Part B, Formula	IDEA-Part B, Preschool
REVENUES			
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-
5900 Federal Program Revenues	163,019	330,939	438
5020 Total Revenues	<u>163,019</u>	<u>330,939</u>	<u>438</u>
EXPENDITURES			
0011 Instruction	163,019	176,814	438
0012 Instructional Resources & Media Services	-	-	-
0013 Curriculum & Instructional Staff Development	-	-	-
0023 School Leadership	-	-	-
0031 Guidance, Counseling & Evaluation Services	-	154,125	-
0033 Health Services	-	-	-
0034 Student Transportation	-	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	-	-	-
0051 Facilities Maintenance and Operations	-	-	-
0052 Security and Monitoring Services	-	-	-
0081 Facilities Acquisition and Construction	-	-	-
6030 Total Expenditures	<u>163,019</u>	<u>330,939</u>	<u>438</u>
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - Beginning	-	-	-
3000 Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	240	255	279	281	282	283
National Breakfast and Lunch Program	ESEA, Title II, Part A	TCLAS - ESSER III	ESSER II	ESSER III	ESSER III	ESSER -SUPP of ARP
\$ 450,151	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23,627	-	-	-	-	-	-
534,755	36,562	34,437	188,498	313,867	193,719	
1,008,533	36,562	34,437	188,498	313,867	193,719	
-	36,562	34,437	139,625	83,902	145,321	
-	-	-	-	-	-	-
-	-	-	-	13,189	8,000	
-	-	-	-	-	-	-
-	-	-	48,873	-	-	-
-	-	-	-	18,276	40,398	
-	-	-	-	1,219	-	
956,053	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	197,281	-	
956,053	36,562	34,437	188,498	313,867	193,719	
52,480	-	-	-	-	-	-
433,115	-	-	-	-	-	-
\$ 485,595	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SALADO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

Data	284	285	289
Control Codes	IDEA-Part B, Formula-ARP	IDEA - Part B, Preschool - ARP	Federally Funded Special Revenue Funds
REVENUES			
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-
5900 Federal Program Revenues	34,460	3,708	10,912
5020 Total Revenues	<u>34,460</u>	<u>3,708</u>	<u>10,912</u>
EXPENDITURES			
0011 Instruction	34,460	3,708	10,912
0012 Instructional Resources & Media Services	-	-	-
0013 Curriculum & Instructional Staff Development	-	-	-
0023 School Leadership	-	-	-
0031 Guidance, Counseling & Evaluation Services	-	-	-
0033 Health Services	-	-	-
0034 Student Transportation	-	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	-	-	-
0051 Facilities Maintenance and Operations	-	-	-
0052 Security and Monitoring Services	-	-	-
0081 Facilities Acquisition and Construction	-	-	-
6030 Total Expenditures	<u>34,460</u>	<u>3,708</u>	<u>10,912</u>
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - Beginning	-	-	-
3000 Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	397	410	429	461	
	Advanced Placement Incentives	State Instructional Materials Fund	State Funded Special Revenue Funds	Campus Activity Funds	Total Non-Major Governmental Funds
\$	-	\$ -	\$ -	\$ 1,063,601	\$ 1,513,752
	85	52,555	205,320	-	281,587
	-	-	-	-	1,845,314
	85	52,555	205,320	1,063,601	3,640,653
	-	52,555	196,910	12,856	1,091,519
	-	-	31	13,316	13,347
	-	-	4,279	938	26,406
	-	-	-	2,071	2,071
	85	-	-	-	203,083
	-	-	-	-	58,674
	-	-	-	-	1,219
	-	-	-	-	956,053
	-	-	-	1,077,566	1,077,566
	-	-	-	201	201
	-	-	4,100	-	4,100
	-	-	-	-	197,281
	85	52,555	205,320	1,106,948	3,631,520
	-	-	-	(43,347)	9,133
	-	-	-	642,781	1,075,896
\$	-	\$ -	\$ -	\$ 599,434	\$ 1,085,029

SALADO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2023

Last 10 Years Ended June 30,		1	2	3
		Tax Rates		Assessed/Appraised Value for School Tax Purposes
		Maintenance	Debt Service	
2014	and prior years	Various	Various	Various
2015		1.04000	0.25140	\$ 695,365,796
2016		1.04000	0.23550	693,670,527
2017		1.04000	0.18380	730,050,826
2018		1.04000	0.18380	782,925,900
2019		1.04000	0.18380	845,315,295
2020		0.97000	0.50000	939,681,088
2021		0.87470	0.50000	1,094,921,801
2022		0.87200	0.50000	1,237,147,522
2023	(School year under audit)	0.85460	0.50000	1,519,355,677
TOTALS				

Total amount of Taxes Refunded under Section 26.1115, Tax Code, for owners who received an exemption as provided by

10 Beginning Balance 7/1/22	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/23
23,573	\$ -	\$ 185	\$ 45	\$ -	\$ 23,343
8,196	-	134	33	-	8,029
16,951	-	6,365	1,441	-	9,145
16,287	-	6,369	1,126	(1)	8,791
20,297	-	6,545	1,157	-	12,595
26,113	-	7,578	1,339	(177)	17,019
45,514	-	14,295	7,369	6,736	30,586
57,839	-	10,374	5,930	(1,009)	40,526
226,086	-	73,575	42,188	(52,705)	57,618
-	20,581,192	12,530,729	7,331,342	(342,531)	376,590
<u>\$ 440,856</u>	<u>\$ 20,581,192</u>	<u>\$ 12,656,149</u>	<u>\$ 7,391,970</u>	<u>\$ (389,687)</u>	<u>\$ 584,242</u>
Section 11.42(f), Tax Code		<u>\$ 86,999</u>			

SALADO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – CHILD NUTRITION FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts (GAAP BASIS)	
REVENUES				
5700 Local & Intermediate Sources	\$ 245,750	\$ 466,939	\$ 450,151	\$ (16,788)
5800 State Program Revenues	28,012	23,626	23,627	1
5900 Federal Program Revenues	271,824	458,408	534,755	76,347
5020 Total Revenues	<u>545,586</u>	<u>948,973</u>	<u>1,008,533</u>	<u>59,560</u>
EXPENDITURES				
0035 Food Services	680,919	1,000,340	956,053	44,287
6030 Total Expenditures	<u>680,919</u>	<u>1,000,340</u>	<u>956,053</u>	<u>44,287</u>
1200 Net Change in Fund Balances	(135,333)	(51,367)	52,480	103,847
0100 Fund Balance-July 1 (Beginning)	433,115	433,115	433,115	-
3000 Fund Balance-June 30 (Ending)	<u>\$ 297,782</u>	<u>\$ 381,748</u>	<u>\$ 485,595</u>	<u>\$ 103,847</u>

SALADO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget	
	Original	Final	Amounts (GAAP BASIS)		
REVENUES					
5700	Local & Intermediate Sources	\$ 7,825,390	\$ 7,825,390	\$ 7,846,402	\$ 21,012
5800	State Program Revenues	31,864	31,864	136,127	104,263
5020	Total Revenues	7,857,254	7,857,254	7,982,529	125,275
EXPENDITURES					
Debt Service:					
0071	Principal on Long Term Debt	1,550,000	1,550,000	1,550,000	-
0072	Interest on Long Term Debt	2,400,375	2,400,375	2,400,375	-
0073	Bond Issuance Cost and Fees	10,000	14,125	14,125	-
6030	Total Expenditures	3,960,375	3,964,500	3,964,500	-
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	3,896,879	3,892,754	4,018,029	125,275
OTHER FINANCING SOURCES (USES)					
8940	Payments to Bond Ref. Escrow Agent	(3,896,879)	(3,892,754)	-	3,892,754
7080	Total Other Finance Sources (Uses)	(3,896,879)	(3,892,754)	-	3,892,754
1200	Net Change in Fund Balances	-	-	4,018,029	4,018,029
0100	Fund Balance-July 1 (Beginning)	7,247,255	7,247,255	7,247,255	-
3000	Fund Balance-June 30 (Ending)	\$ 7,247,255	\$ 7,247,255	\$ 11,265,284	\$ 4,018,029

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SALADO INDEPENDENT SCHOOL DISTRICT
 USE OF FUNDS REPORT – SELECT STATE ALLOTMENT PROGRAMS
 FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	1 Responses
Section A: Compensatory Education Programs	
Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.104.	
AP1	Did your District expend any state compensatory education program state allotment funds during the District's fiscal year? Yes
AP2	Does the District have written policies and procedures for its state compensatory education program? Yes
AP3	Total state allotment funds received for state compensatory education programs during the District's fiscal year. \$ 914,067
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30, 34) \$ 471,287
Section B: Bilingual Education Programs	
Districts are required to use at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.105.	
AP5	Did your District expend any bilingual education program state allotment funds during the District's fiscal year? Yes
AP6	Does the District have written policies and procedures for its bilingual education program? Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year. \$ 77,058
AP8	Actual direct program expenditures for bilingual education programs during the District's fiscal year. (PICs 25, 35) \$ 49,953

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SALADO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes		1 Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.)	Yes
	Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.	
	Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	\$ 76,049

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FEDERAL AWARDS SECTION

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INDEPENDENT AUDITOR'S 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 Board of Trustees of
Salado Independent School District

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Salado Independent School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Salado Independent School District's basic financial statements and have issued our report thereon dated September 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Salado Independent School District's internal control over financial reporting (internal control) as a basis for designing 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 Salado Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Salado Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salado Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

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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.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

September 15, 2023

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Trustees of
Salado Independent School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Salado Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Salado Independent School District's major federal programs for the year ended June 30, 2023. Salado Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Salado Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Salado Independent School District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Salado Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Salado Independent School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Salado Independent School District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Salado Independent School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Salado Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Salado Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Salado Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by *Uniform Guidance*

We have audited the financial statements of Salado Independent School District as of and for the year ended June 30, 2023, and have issued our report thereon dated September 15, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

September 15, 2023

SALADO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	1 Federal ALN Number	2a Pass-Through Entity Identifying Number	3 Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Awards</u>			
ESEA - Title VII - Impact Aid	84.041A		\$ 11,990
Total Direct Awards			<u>11,990</u>
<u>Passed through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	23610101014908	163,019
IDEA - Part B, Formula ¹	84.027A	236600010149086000	330,939
COVID-19, IDEA Part B, Formula - ARP ¹	84.027X	225350010149085000	34,460
Total Assistance Listing Number 84.027			<u>365,399</u>
IDEA - Part B, Preschool ¹	84.173A	236610010149086000	438
COVID-19, IDEA - Part B, Preschool - ARP ¹	84.173X	225360010149085000	3,708
Total Assistance Listing Number 84.173			<u>4,146</u>
ESEA, Title II, Part A - Teacher and Principal Training	84.367A	23694501014908	36,562
COVID-19, TCLAS - ESSER III	84.425U	21528042014908	39,502
COVID-19, ESSER II	84.425D	21521001014908	209,082
COVID-19, ESSER III	84.425U	21528001014908	333,291
COVID-19, ESSER - SUPP	84.425U	21528043014908	193,719
Total Assistance Listing Number 84.425			<u>775,594</u>
Title IV, Part A, Subpart 1	84.424A	23680101014908	10,912
Total Passed through Texas Education Agency			<u>1,355,632</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,367,622</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed through Texas Education Agency</u>			
National School Breakfast Program ²	10.553	71402301	84,731
National School Lunch Program ²	10.555	71302301	319,602
Total Passed through Texas Education Agency			<u>404,333</u>
<u>Passed through Texas Department of Agriculture</u>			
Food Distribution Program - Non-Cash Assistance ²	10.555	NT4XL1YGLGC5	71,030
Supply Chain Assistance Program ²	10.555	NT4XL1YGLGC5	56,976
Food Distribution Payment ²	10.555	NT4XL1YGLGC5	1,788
Total Assistance Listing Number 10.555			<u>129,794</u>
COVID-19, Pandemic Electronic Benefit Transfer	10.649	NT4XL1YGLGC5	628
Total Passed through Texas Department of Agriculture			<u>130,422</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>534,755</u>

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	1 Federal ALN Number	2a Pass-Through Entity Identifying Number	3 Federal Expenditures
U.S. DEPARTMENT OF THE INTERIOR			
<u>Passed through Texas Comptroller of Public Accounts</u>			
Flood Control Act Lands	15.433	9A140827	1,864
Total Passed through Texas Comptroller of Public Accounts			1,864
TOTAL U.S. DEPARTMENT OF THE INTERIOR			1,864
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,904,241
<i>Not Considered Federal Financial Assistance:</i>			
School Health and Related Services (SHARS) Revenue			\$ 62,628
TOTAL FEDERAL REVENUE PER STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE			\$ 1,966,869

¹ *Special Education (IDEA) Cluster as defined in OMB Compliance Supplement.*

² *Child Nutrition Cluster as defined in OMB Compliance Supplement.*

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SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal awards expenditures of Salado Independent School District (the “District”) under programs of the federal government for the year ended June 30, 2023. The information in the accompanying Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net position, or cash flows of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The expenditures reported on the Schedule are presented using the modified-accrual basis of accounting, with the exception of the National School Lunch Program, School Breakfast Program and the Food Distribution Program. Under the modified-accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Expenditures for the National School Lunch Program, School Breakfast Program and the Food Distribution Program are shown on the Schedule in an amount equal to the related revenue, but are not specifically attributable to this revenue source. Expenditures are reported in this manner due to the Child Nutrition Fund being a fund that combines local, state, and federal revenues, and spends those resources together to support the overall operations of the Child Nutrition Program.

The District has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Relationship to Basic Financial Statements - Expenditures of federal awards are reported in the District’s basic financial statements in the special revenue funds.

Relationship to Federal Financial Reports - Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal financial reports in all significant respects.

Valuation of Non-Cash Programs – The District values revenues and expenditures for the Food Distribution Program based on the value of commodities received.

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SALADO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Type of auditor’s report issued on compliance for major programs:

Elementary and Secondary School Emergency Relief	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with the federal Uniform Guidance? Yes No

Identification of major programs:

ALN Number(s)	Name of Federal Program or Cluster
84.425D, 84.425U	TCLAS-ESSER III, ESSER II, III, ESSER Supplemental

Dollar threshold used to distinguish Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

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SALADO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*:

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the years ended June 30, 2023 and June 30, 2022.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Findings Related to Federal Awards Which are Required to be Reported in Accordance with federal Uniform Guidance:

No findings or questioned costs required to be reported in accordance with federal Uniform Guidance for the years ended June 30, 2023 and June 30, 2022.