

SALADO INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

FOR THE YEAR ENDED
JUNE 30, 2022



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

SALADO INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED JUNE 30, 2022

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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, 2022, at a meeting of the Board of Trustees of such school district on the 17th day of OCTOBER, 2022.


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, each major fund, and the aggregate remaining fund information of Salado Independent School District, as of and for the year ended June 30, 2022, 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, each major fund, and the aggregate remaining fund information of Salado Independent School District, as of June 30, 2022, 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.

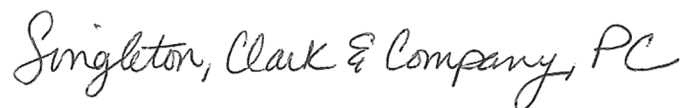
Other Information

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 2, 2022 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 2, 2022

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SALADO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022. 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 \$1,785,621 as a result of this year’s current operations, to end at \$7,603,856.
- Total governmental funds of the District (the General Fund plus all Special Revenue Funds, the Capital Projects Fund, and the Debt Service Fund) reported an overall fund balance increase of \$924,652, to end at \$15,279,733.
- The General Fund of the District reported a fund balance decrease of \$681,949 for the year, to end at \$6,956,582.

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, 2022

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, 2022

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, 2022

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, 2022

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 \$5,818,235 to \$7,603,856. 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 (\$3,270,615) at June 30, 2022. The increase in governmental net position was primarily due to lower than anticipated expenditures during fiscal year 2022.

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

	(Restated)			Business- Type Activities 2022	Business- Type Activities 2021	Change
	Governmental Activities 2022	Governmental Activities 2021	Change			
Current & Other Assets	\$ 17,594,954	\$ 16,836,543	\$ 758,411	\$ 101,833	\$ 83,077	\$ 18,756
Capital Assets	68,423,309	69,607,011	(1,183,702)	-	-	-
Total Assets	86,018,263	86,443,554	(425,291)	101,833	83,077	18,756
Deferred Outflows of Resources	4,777,271	3,263,955	1,513,316	-	-	-
Current Liabilities	2,896,888	3,059,580	(162,692)	3,337	2,252	1,085
Long-Term Liabilities	73,578,992	76,267,707	(2,688,715)	-	-	-
Total Liabilities	76,475,880	79,327,287	(2,851,407)	3,337	2,252	1,085
Deferred Inflows of Resources	6,715,798	4,561,987	2,153,811	-	-	-
Net Position:						
Net Investment in Capital Assets	3,083,886	3,478,887	(395,001)	-	-	-
Restricted	7,790,585	5,206,285	2,584,300	-	-	-
Unrestricted	(3,270,615)	(2,866,937)	(403,678)	98,496	80,825	17,671
Total Net Position	\$ 7,603,856	\$ 5,818,235	\$ 1,785,621	\$ 98,496	\$ 80,825	\$ 17,671

SALADO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

TABLE II
SALADO INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

	Governmental Activities 2022	(Restated) Governmental Activities 2021	Change	Business- Type Activities 2022	Business- Type Activities 2021	Change
Revenues:						
Program Revenues:						
Charges for Services	\$ 256,603	\$ 1,065,801	\$ (809,198)	\$ 99,174	\$ 51,521	\$ 47,653
Operating Grants & Contributions	2,266,855	2,200,133	66,722	-	-	-
General Revenues:						
Maintenance & Operations Taxes	10,774,468	9,591,649	1,182,819	-	-	-
Debt Service Taxes	6,165,723	5,475,868	689,855	-	-	-
State Aid - Formula Grants	7,614,914	8,810,496	(1,195,582)	-	-	-
Grants & Contributions not Rest.	196,312	181,913	14,399	-	3,414	(3,414)
Investment Earnings	81,956	84,128	(2,172)	-	-	-
Miscellaneous	1,296,008	221,922	1,074,086	-	-	-
Total Revenue	<u>28,652,839</u>	<u>27,631,910</u>	<u>1,020,929</u>	<u>99,174</u>	<u>54,935</u>	<u>44,239</u>
Expenses:						
Instruction	13,039,605	12,343,134	696,471	-	-	-
Instructional Res. & Media Svcs.	244,902	219,225	25,677	-	-	-
Curriculum & Instr. Staff Dev.	119,105	68,570	50,535	-	-	-
Instructional Leadership	323,545	307,832	15,713	-	-	-
School Leadership	1,050,863	1,107,563	(56,700)	-	-	-
Guidance, Couns., & Eval Svcs.	938,713	792,993	145,720	-	-	-
Social Work Services	30,220	27,257	2,963	-	-	-
Health Services	238,714	201,683	37,031	-	-	-
Student Transportation	828,390	709,793	118,597	-	-	-
Food Services	844,273	633,447	210,826	-	-	-
Extracurricular Activities	2,408,602	1,999,587	409,015	-	-	-
General Administration	835,796	634,354	201,442	-	-	-
Facilities Maint. and Operations	2,511,983	1,988,548	523,435	-	-	-
Security and Monitoring Svcs	82,488	94,332	(11,844)	-	-	-
Data Processing Services	690,038	509,534	180,504	-	-	-
Debt Service	2,468,325	2,477,602	(9,277)	-	-	-
Payments to Fiscal Agent of SSA	42,677	92,801	(50,124)	-	-	-
Other Intergovernmental Charges	168,979	154,541	14,438	-	-	-
Business-Type Activities	-	-	-	81,503	62,942	18,561
Total Expenses	<u>26,867,218</u>	<u>24,362,796</u>	<u>2,504,422</u>	<u>81,503</u>	<u>62,942</u>	<u>18,561</u>
Change in Net Position	<u>1,785,621</u>	<u>3,269,114</u>	<u>(1,483,493)</u>	<u>17,671</u>	<u>(8,007)</u>	<u>25,678</u>
Net Position at 7/1/21 and 7/1/20	<u>5,818,235</u>	<u>2,549,121</u>	<u>3,269,114</u>	<u>80,825</u>	<u>88,832</u>	<u>(8,007)</u>
Net Position at 6/30/22 and 6/30/21 (as restated)	<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>

SALADO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

THE DISTRICT'S FUNDS

As the District completed this annual period, the General Fund reported an ending fund balance of \$6,956,582, which is \$681,949 less than last year's total of \$7,638,531. This decrease in fund balance is primarily attributable to greater than originally anticipated expenditures related to Instruction, Facilities Maintenance & Operations, and Facilities Acquisition and Construction.

The District's Debt Service Fund reported an ending fund balance of \$7,247,255 which is \$2,212,165 greater than last year's total of \$5,035,090. This increase in fund balance is primarily attributable to greater than originally anticipated Local and Intermediate Sources revenues. 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 \$1,075,896. This combined balance is \$605,564 less than the previous year. The primary reason for this decrease in fund balance was the Capital Projects Fund expending the remainder of its bond proceeds to finish the District's bond-related construction projects.

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. Budget amendments made during the year to the Instruction, Facilities Maintenance & Operations, and Facilities Acquisition and Construction functions were considered significant.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2022, the District had \$68,423,309 (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 2022 and 2021 is as follows:

	Governmental Activities 2022	(Restated) Governmental Activities 2021	Change
Land	\$ 3,781,091	\$ 1,859,734	\$ 1,921,357
Construction in Progress	126,519	43,820,416	(43,693,897)
Buildings	79,902,908	35,890,245	44,012,663
Furniture and Equipment	3,620,219	3,304,706	315,513
Right to Use Leased Assets	3,959,937	3,959,937	-
Total	<u>91,390,674</u>	<u>88,835,038</u>	<u>2,555,636</u>
Less Accumulated Depreciation	(22,967,365)	(19,228,027)	(3,739,338)
Capital Assets, Net of Depreciation	<u>\$ 68,423,309</u>	<u>\$ 69,607,011</u>	<u>\$ (1,183,702)</u>

SALADO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

Debt

At year-end, the District had \$65,999,521 in bonds and other long-term debt outstanding versus \$67,904,392 last year. The 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 2022 and 2021 is as follows:

		(Restated)	
	Governmental Activities	Governmental Activities	
	2022	2021	Change
Bonds Payable	\$ 62,894,633	\$ 64,526,632	\$ (1,631,999)
Right to Use Leased Assets Payable	3,104,888	3,377,760	(272,872)
Total	\$ 65,999,521	\$ 67,904,392	\$ (1,904,871)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2022-2023 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 \$21.7 million for the 2022-2023 fiscal year. This reflects an approximate increase of \$280,000 in budgeted expenditures from the fiscal year 2021-2022 amended budget to fiscal year 2022-2023.

For the 2022-2023 budget year, the District has decreased its maintenance and operations tax rate at \$0.8546 per hundred of taxable value. The District adopted a debt service tax rate of \$0.8546 for the 2022-2023 budget year in order to fund required debt payments in the coming year. The combined tax rate of the District for the 2022-2023 budget year is \$1.3546 per hundred of taxable value.

DISTRICT ACCOMPLISHMENTS

The District enrollment has increased from 1,348 students during the 2012-2013 school year to the current enrollment of 2,318 students. This is an increase of 970 students during those ten years, which represents an average increase of 97 students per year. Those 970 students represent an increase of 72% from the 2012-2013 school year enrollment. That is the highest percentage increase in enrollment of all 77 school districts in the Waco region during that time. While growth alone isn't an accomplishment by itself, this growth is certainly fueled by the quality of our school district. Realtors in our area will tell you how families with children want to move into our school district so their kids can attend our schools.

The District received the highest possible rating (Superior) and a score of 98 out of 100 on the Financial Integrity Rating System of Texas (FIRST).

The Salado High school academic team won the regional championship out of 56 high schools this past year. This is the 22nd year in a row that Salado High School has won the regional academic championship.

Salado High School earned an “A” rating from the Texas Education Agency for 2022 and was one of only three high schools out of the 20 high schools in the Killeen Metro area to earn an “A” rating.

Salado High School’s overall accountability score of 93 was the highest of all 20 high schools in the Killeen Metro area.

SALADO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022

Data Control Codes	Primary Government			
	1 Governmental Activities	2 Business-Type Activities	3 Total	
ASSETS				
1110	Cash and Cash Equivalents	\$ 14,587,568	\$ 101,833	\$ 14,689,401
1225	Property Taxes Receivable, net	352,685	-	352,685
1240	Due from Other Governments	2,651,279	-	2,651,279
1290	Other Receivables, net	3,422	-	3,422
	Capital Assets:			
1510	Land Purchase and Improvements	3,781,091	-	3,781,091
1520	Buildings and Improvements, net	60,847,676	-	60,847,676
1530	Furniture and Equipment, net	812,127	-	812,127
1550	Right to Use Leased Assets, net	2,855,896	-	2,855,896
1580	Construction in Progress	126,519	-	126,519
1000	Total Assets	<u>86,018,263</u>	<u>101,833</u>	<u>86,120,096</u>
DEFERRED OUTFLOWS OF RESOURCES				
1705	Deferred Outflows-Pension	2,154,318	-	2,154,318
1706	Deferred Outflows-OPEB	2,622,953	-	2,622,953
	Total Deferred Outflows of Resources	<u>4,777,271</u>	<u>-</u>	<u>4,777,271</u>
LIABILITIES				
2110	Accounts Payable	104,378	-	104,378
2140	Interest Payable	934,352	-	934,352
2150	Payroll Deductions and Withholdings	146,336	-	146,336
2160	Accrued Wages Payable	1,578,191	2,952	1,581,143
2180	Due to Other Governments	-	-	-
2200	Accrued Expenses	131,407	385	131,792
2300	Unearned Revenue	2,224	-	2,224
	Noncurrent Liabilities:			
2501	Due Within One Year	1,782,932	-	1,782,932
2502	Due in More Than One Year	64,216,589	-	64,216,589
2540	Net Pension Liability	2,184,763	-	2,184,763
2545	Other Post-Employment Benefits Liability	5,394,708	-	5,394,708
2000	Total Liabilities	<u>76,475,880</u>	<u>3,337</u>	<u>76,479,217</u>
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred Inflows-Pension	2,870,671	-	2,870,671
2606	Deferred Inflows-OPEB	3,845,127	-	3,845,127
	Total Deferred Inflows of Resources	<u>6,715,798</u>	<u>-</u>	<u>6,715,798</u>
NET POSITION				
3200	Net Investment in Capital Assets	3,083,886	-	3,083,886
	Restricted for:			
3820	Federal & State Programs	433,115	-	433,115
3850	Debt Service	7,357,470	-	7,357,470
3900	Unrestricted	(3,270,615)	98,496	(3,172,119)
3000	Total Net Position	<u>\$ 7,603,856</u>	<u>\$ 98,496</u>	<u>\$ 7,702,352</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, 2022

Data Control Codes	1 Expenses	Program Revenues		
		3 Charges for Services	4 Operating Grants and Contributions	
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11	Instruction	\$ 13,039,605	\$ 6,459	\$ 942,741
12	Instructional Resources & Media Services	244,902	-	(2,176)
13	Curriculum & Instructional Staff Development	119,105	-	17,365
21	Instructional Leadership	323,545	-	(4,514)
23	School Leadership	1,050,863	-	(14,952)
31	Guidance, Counseling, & Evaluation Services	938,713	-	203,866
32	Social Work Services	30,220	-	-
33	Health Services	238,714	-	60,435
34	Student Transportation	828,390	-	10,890
35	Food Services	844,273	106,644	993,258
36	Extracurricular Activities	2,408,602	67,113	(11,898)
41	General Administration	835,796	76,387	(8,937)
51	Facilities Maintenance and Operations	2,511,983	-	59,438
52	Security and Monitoring Services	82,488	-	-
53	Data Processing Services	690,038	-	(5,085)
72	Interest on Long-Term Debt	2,301,684	-	26,424
73	Bond Issuance Cost & Fees	166,641	-	-
93	Payments to Fiscal Agent of SSA	42,677	-	-
99	Other Intergovernmental Charges	168,979	-	-
TG	Total Governmental Activities:	<u>26,867,218</u>	<u>256,603</u>	<u>2,266,855</u>
BUSINESS-TYPE ACTIVITIES:				
01	Enterprise Fund - After School Care Program	81,503	99,174	-
TB	Total Business-Type Activities:	<u>81,503</u>	<u>99,174</u>	<u>-</u>
TP	TOTAL PRIMARY GOVERNMENT:	<u>\$ 26,948,721</u>	<u>\$ 355,777</u>	<u>\$ 2,266,855</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
\$ (12,090,405)	\$ -	\$ (12,090,405)
(247,078)	-	(247,078)
(101,740)	-	(101,740)
(328,059)	-	(328,059)
(1,065,815)	-	(1,065,815)
(734,847)	-	(734,847)
(30,220)	-	(30,220)
(178,279)	-	(178,279)
(817,500)	-	(817,500)
255,629	-	255,629
(2,353,387)	-	(2,353,387)
(768,346)	-	(768,346)
(2,452,545)	-	(2,452,545)
(82,488)	-	(82,488)
(695,123)	-	(695,123)
(2,275,260)	-	(2,275,260)
(166,641)	-	(166,641)
(42,677)	-	(42,677)
(168,979)	-	(168,979)
<u>(24,343,760)</u>	<u>-</u>	<u>(24,343,760)</u>
-	17,671	17,671
-	17,671	17,671
<u>(24,343,760)</u>	<u>17,671</u>	<u>(24,326,089)</u>
10,774,468	-	10,774,468
6,165,723	-	6,165,723
7,614,914	-	7,614,914
196,312	-	196,312
81,956	-	81,956
1,296,008	-	1,296,008
<u>26,129,381</u>	<u>-</u>	<u>26,129,381</u>
1,785,621	17,671	1,803,292
5,818,235	80,825	5,899,060
<u>\$ 7,603,856</u>	<u>\$ 98,496</u>	<u>\$ 7,702,352</u>

SALADO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

Data Control Codes	10 General Fund	50 Debt Service Fund	98 Other Funds	98 Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 6,259,264	\$ 7,223,851	\$ 1,104,453	\$ 14,587,568
1220 Property Taxes - Delinquent	303,088	137,768	-	440,856
1230 Allowance for Uncollectible Taxes (Credit)	(60,618)	(27,553)	-	(88,171)
1240 Due from Other Governments	1,671,096	23,404	956,779	2,651,279
1260 Due from Other Funds	827,520	-	-	827,520
1290 Other Receivables	3,422	-	-	3,422
1000 Total Assets	<u>\$ 9,003,772</u>	<u>\$ 7,357,470</u>	<u>\$ 2,061,232</u>	<u>\$ 18,422,474</u>
LIABILITIES				
2110 Accounts Payable	\$ 99,098	\$ -	\$ 5,280	\$ 104,378
2150 Payroll Deductions and Withholdings	146,336	-	-	146,336
2160 Accrued Wages Payable	1,448,615	-	129,576	1,578,191
2170 Due to Other Funds	-	-	827,520	827,520
2180 Due to Other Governments	-	-	-	-
2200 Accrued Expenditures	110,671	-	20,736	131,407
2300 Unavailable Revenues	-	-	2,224	2,224
2000 Total Liabilities	<u>1,804,720</u>	<u>-</u>	<u>985,336</u>	<u>2,790,056</u>
DEFERRED INFLOWS OF RESOURCES				
2600 Deferred Inflows-Unavailable Revenues	242,470	110,215	-	352,685
Total Deferred Inflows of Resources	<u>242,470</u>	<u>110,215</u>	<u>-</u>	<u>352,685</u>
FUND BALANCES				
Restricted for:				
3450 Federal or State Funds Restricted	-	-	433,115	433,115
3480 Retirement of Long-Term Debt	-	7,247,255	-	7,247,255
Committed for:				
3545 Other Committed Fund Balance	-	-	642,781	642,781
Assigned for:				
3590 Other Assigned Fund Balance	293,144	-	-	293,144
3600 Unassigned Fund Balance	6,663,438	-	-	6,663,438
3000 Total Fund Balances	<u>6,956,582</u>	<u>7,247,255</u>	<u>1,075,896</u>	<u>15,279,733</u>
4000 Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 9,003,772</u>	<u>\$ 7,357,470</u>	<u>\$ 2,061,232</u>	<u>\$ 18,422,474</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, 2022

		1
Total Fund Balances - Governmental Funds	\$	15,279,733
1 Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	\$	91,390,674
Less accumulated depreciation	<u>(22,967,365)</u>	68,423,309
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	(62,894,633)	
Notes and right to use assets payable	(3,104,888)	
Net pension liability	(2,184,763)	
Net OPEB liability	<u>(5,394,708)</u>	(73,578,992)
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.		(934,352)
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	2,154,318	
Deferred inflows of resources related to pensions	(2,870,671)	
Deferred outflows of resources related to OPEB	2,622,953	
Deferred inflows of resources related to OPEB	<u>(3,845,127)</u>	(1,938,527)
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>352,685</u>
19 Net Position of Governmental Activities	\$	<u><u>7,603,856</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, 2022

Data	10	50	98	Total
Control Codes	General Fund	Debt Service Fund	Other Funds	Governmental Funds
REVENUES				
5700 Local and Intermediate Sources	\$ 11,301,425	\$ 6,205,983	\$ 1,092,346	\$ 18,599,754
5800 State Program Revenues	8,720,400	26,424	109,678	8,856,502
5900 Federal Program Revenues	129,703	-	2,396,269	2,525,972
5020 Total Revenues	<u>20,151,528</u>	<u>6,232,407</u>	<u>3,598,293</u>	<u>29,982,228</u>
EXPENDITURES				
0011 Instruction	11,105,867	-	1,012,864	12,118,731
0012 Instructional Resources & Media Services	220,541	-	31	220,572
0013 Curriculum & Instructional Staff Development	86,443	-	15,948	102,391
0021 Instructional Leadership	300,118	-	-	300,118
0023 School Leadership	974,746	-	-	974,746
0031 Guidance, Counseling & Evaluation Services	658,995	-	195,292	854,287
0032 Social Work Services	25,905	-	-	25,905
0033 Health Services	159,591	-	57,514	217,105
0034 Student Transportation	830,806	-	16,072	846,878
0035 Food Services	-	-	745,270	745,270
0036 Extracurricular Activities	1,361,705	-	772,984	2,134,689
0041 General Administration	760,669	-	-	760,669
0051 Facilities Maintenance and Operations	2,182,095	-	67,680	2,249,775
0052 Security and Monitoring Services	70,710	-	-	70,710
0053 Data Processing Services	615,708	-	-	615,708
0071 Debt Service - Principal	272,872	1,625,000	-	1,897,872
0072 Debt Service - Interest	101,529	2,391,763	-	2,493,292
0073 Debt Service - Bond Issuance Costs	-	166,641	-	166,641
0081 Facilities Acquisition and Construction	893,499	-	1,320,202	2,213,701
0093 Payments to Fiscal Agent of SSA	42,682	-	-	42,682
0099 Other Intergovernmental Charges	168,996	-	-	168,996
6030 Total Expenditures	<u>20,833,477</u>	<u>4,183,404</u>	<u>4,203,857</u>	<u>29,220,738</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(681,949)</u>	<u>2,049,003</u>	<u>(605,564)</u>	<u>761,490</u>
OTHER FINANCING SOURCES (USES)				
7901 Refunding Bonds Issued	-	6,995,000	-	6,995,000
7916 Premium or Discount on Issuance of Bonds	-	1,167,975	-	1,167,975
8940 Payments to Bond Refunding Escrow Agent	-	(7,999,813)	-	(7,999,813)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>163,162</u>	<u>-</u>	<u>163,162</u>
1200 Net Change in Fund Balance	<u>(681,949)</u>	<u>2,212,165</u>	<u>(605,564)</u>	<u>924,652</u>
0100 Fund Balance - Beginning	7,638,531	5,035,090	1,681,460	14,355,081
3000 Fund Balance - Ending	<u>\$ 6,956,582</u>	<u>\$ 7,247,255</u>	<u>\$ 1,075,896</u>	<u>\$ 15,279,733</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, 2022

	Total Net Change in Fund Balances – Governmental Funds	\$	924,652
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	\$	2,555,636
	Less current year depreciation	<u>(3,739,338)</u>	<u>(1,183,702)</u>
2	Repayment of principal on bonds and finance leases is an expenditure in the governmental funds, but this expenditure is removed from the Statement of Activities and the repayments instead reduce long-term liabilities on the Statement of Net Position.		1,897,872
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.		(287,975)
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.		(75,487)
5	Since long-term debt is not recorded in governmental funds, amortization of related issuance premiums and discounts is also not recorded.		370,461
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.		21,447
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.		(24,996)
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.		62,568
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.		80,781
	19 Change in Net Position of Governmental Activities	<u>\$</u>	<u>1,785,621</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, 2022

Data			Actual		
Control	Budgeted Amounts		Amounts	Variance With	
Codes	Original	Final	(GAAP BASIS)	Final Budget	
REVENUES					
5700	Local & Intermediate Sources	\$ 9,764,507	\$ 11,255,400	\$ 11,301,425	\$ 46,025
5800	State Program Revenues	9,920,110	8,420,689	8,720,400	299,711
5900	Federal Program Revenues	60,957	129,703	129,703	-
5020	Total Revenues	<u>19,745,574</u>	<u>19,805,792</u>	<u>20,151,528</u>	<u>345,736</u>
EXPENDITURES					
Current:					
0011	Instruction	10,891,360	11,258,636	11,105,867	152,769
0012	Instructional Resources & Media Services	211,872	231,520	220,541	10,979
0013	Curriculum & Instructional Staff Development	116,400	99,633	86,443	13,190
0021	Instructional Leadership	279,774	308,689	300,118	8,571
0023	School Leadership	963,442	982,877	974,746	8,131
0031	Guidance, Counseling & Evaluation Services	576,891	661,025	658,995	2,030
0032	Social Work Services	25,905	25,905	25,905	-
0033	Health Services	170,829	165,835	159,591	6,244
0034	Student Transportation	914,577	910,596	830,806	79,790
0036	Extracurricular Activities	1,376,059	1,404,016	1,361,705	42,311
0041	General Administration	679,417	774,609	760,669	13,940
0051	Facilities Maintenance & Operations	2,062,180	2,260,076	2,182,095	77,981
0052	Security and Monitoring Services	63,085	77,006	70,710	6,296
0053	Data Processing Services	605,760	659,457	615,708	43,749
Debt Service:					
0071	Principal on Long Term Debt	225,231	289,639	272,872	16,767
0072	Interest on Long Term Debt	99,261	101,529	101,529	-
Capital Outlay:					
0081	Facilities Acquisition & Construction	164,110	948,774	893,499	55,275
Intergovernmental:					
0093	Payments to Fiscal Agent of SSA	45,000	44,964	42,682	2,282
0099	Other Intergovernmental Charges	163,433	170,996	168,996	2,000
6030	Total Expenditures	<u>19,634,586</u>	<u>21,375,782</u>	<u>20,833,477</u>	<u>542,305</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	110,988	(1,569,990)	(681,949)	888,041
OTHER FINANCING SOURCES (USES)					
8911	Transfers Out	(110,988)	-	-	-
7080	Total Other Financing Sources (Uses)	<u>(110,988)</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balances	-	(1,569,990)	(681,949)	888,041
0100	Fund Balance-July 1 (Beginning)	7,638,531	7,638,531	7,638,531	-
3000	Fund Balance-June 30 (Ending)	<u>\$ 7,638,531</u>	<u>\$ 6,068,541</u>	<u>\$ 6,956,582</u>	<u>\$ 888,041</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, 2022

Data Control Codes	Business-Type Activities After School Care Program
ASSETS	
1110 Cash and Cash Equivalents	\$ 101,833
1000 Total Assets	<u>101,833</u>
LIABILITIES	
Current Liabilities:	
2160 Accrued Wages Payable	2,952
2200 Accrued Expenditures	385
2000 Total Liabilities	<u>3,337</u>
NET POSITION	
3900 Unrestricted Net Position	98,496
3000 Total Net Position	<u>\$ 98,496</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, 2022

Data Control Codes	Business-Type Activities After School Program
OPERATING REVENUES	
5700 Local and Intermediate Sources	\$ 99,174
5020 Total Revenues	<u>99,174</u>
OPERATING EXPENSES	
6100 Payroll Costs	73,817
6300 Supplies and Materials	7,095
6400 Other Operating Costs	591
6030 Total Expenses	<u>81,503</u>
1300 Change in Net Position	17,671
0100 Total Net Position - Beginning	<u>80,825</u>
3300 Total Net Position - Ending	<u><u>\$ 98,496</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, 2022

Data Control Codes	Business-Type Activities After School Program
<u>Cash Flows from Operating Activities</u>	
Cash Received from User Charges	\$ 99,174
Cash Payments to Employees for Services	(72,699)
Cash Payments to Suppliers	(7,095)
Cash Payments for Other Operating Activities	(624)
Net Cash Provided by (Used for) Operating Activities	<u>18,756</u>
Net Increase (Decrease) in Cash and Cash Equivalents	18,756
Cash and Cash Equivalents at the Beginning of the Year	<u>83,077</u>
Cash and Cash Equivalents at the End of the Year:	<u><u>\$ 101,833</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>	
Operating Income (Loss):	\$ 17,671
Increase (Decrease) in Wages Payable	1,118
Increase (Decrease) in Accrued Expenses	(33)
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ 18,756</u></u>

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

SALADO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

Data Control Codes	828 Private- Purpose Trust Fund	829 Private- Purpose Trust Fund	865 Custodial Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 35,574	\$ 4,557	\$ 55,713
1000 Total Assets	<u>35,574</u>	<u>4,557</u>	<u>55,713</u>
NET POSITION			
Restricted for:			
3800 Individuals and Organizations	35,574	4,557	55,713
3000 Total Net Position	<u>\$ 35,574</u>	<u>\$ 4,557</u>	<u>\$ 55,713</u>

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

SALADO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

Data Control Codes	828 Private- Purpose Trust Fund	829 Private- Purpose Trust Fund	865 Custodial Fund
ADDITIONS			
Contributions:			
5750 Fundraising Activities	\$ -	\$ -	\$ 40,188
5020 Total Contributions	-	-	40,188
Investment Earnings:			
5742 Interest, Dividends, and Other	190	24	-
Total Additions	190	24	40,188
DEDUCTIONS			
6300 Supplies and Materials	-	-	25,157
6400 Other Operating Costs	-	-	6,734
6030 Total Deductions	-	-	31,891
1200 Net Increase/(Decrease) in Fiduciary Net Position	190	24	8,297
0100 Net Position - Beginning	35,384	4,533	47,416
3000 Net Position - Ending	\$ 35,574	\$ 4,557	\$ 55,713

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, 2022

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.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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.

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.

The Capital Projects Fund is used to account for the construction, improvement and renovation of school buildings in the District along with the acquisition of land and equipment. This fund is budgeted on a project basis rather than annually.

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.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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.

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."

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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.

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.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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

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

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, the carrying amount of the District's deposits was \$14,676,361 and the bank balance was \$14,630,938. The District's deposits with financial institutions at June 30, 2022 and during the year ended June 30, 2022 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 \$21,000,000.
- c) The largest cash, savings and time deposit combined account balance amounted to \$17,336,876 and occurred during the month of April 2022.
- d) Total amount of FDIC coverage at the time of highest combined balance was \$750,000.

Investments held at June 30, 2022 consisted of the following:

Investment Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local Government Investment Pools:			
Lone Star Investment Pool	\$ 16,908	1	AAAm
Texas CLASS	91,976	1	AAAm
Total Investments	\$ 108,884		

The District had investments in two external local governmental investment pools at June 30, 2022, 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.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, investments were included in local governmental investment pools with ratings from Standard & Poor's in compliance with the District's investment policy.

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, 2022, 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, 2022, 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, 2022, investments were included in local government investment pools which have a weighted average maturity of one day.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2021, upon which the October 2021 levy was based was \$16,973,664. The District levied taxes based on a combined tax rate of \$1.372 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.

A summary of amounts recorded as Due From/Due To Other Governments in the basic financial statements as of June 30, 2022 are summarized below:

Due From Other Governments:	Non-Major			
	General	Debt	Governmental	
	Fund	Service Fund	Funds	Total
Governmental Activities:				
Foundation & Per Capita Entitlements	\$ 1,625,157	\$ -	\$ -	\$ 1,625,157
State Grants	-	42	49,028	49,070
Federal Grants	4,777	-	907,751	912,528
Miscellaneous	40,500	23,362	-	63,862
Total - Governmental Activities	<u>\$ 1,670,434</u>	<u>\$ 23,404</u>	<u>\$ 956,779</u>	<u>\$ 2,650,617</u>

No amounts were recorded as Due to Other Governments for the year ended June 30, 2022.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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 process any transfers.

The composition of interfund balances as of June 30, 2022 was as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Funds	\$ 827,520
Total General Fund		827,520
Grand Total		<u>\$ 827,520</u>

6. CAPITAL ASSETS

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

	(Restated) Beginning Balance 7/1/21	Additions	Retirements	Adjustments	Ending Balance 6/30/22
Governmental Activities:					
Capital Assets, not Being Depreciated:					
Land	\$ 1,859,734	\$ 1,921,357	\$ -	\$ -	\$ 3,781,091
Construction in Progress	43,820,416	135,488	-	(43,829,385)	126,519
Total Capital Assets, not Being Depreciated	45,680,150	2,056,845	-	(43,829,385)	3,907,610
Capital Assets, Being Depreciated:					
Buildings and Improvements	35,890,245	183,278	-	43,829,385	79,902,908
Furniture and Equipment	3,304,706	315,513	-	-	3,620,219
Right to Use Leased Assets	3,959,937	-	-	-	3,959,937
Total Capital Assets, Being Depreciated	43,154,888	498,791	-	43,829,385	87,483,064
Less Accumulated Depreciation for:					
Buildings and Improvements	(15,805,986)	(3,249,246)	-	-	(19,055,232)
Furniture and Equipment	(2,628,520)	(179,572)	-	-	(2,808,092)
Right to Use Leased Assets	(793,521)	(310,520)	-	-	(1,104,041)
Total Accumulated Depreciation	(19,228,027)	(3,739,338)	-	-	(22,967,365)
Governmental Activities Capital Assets, Net	<u>\$ 69,607,011</u>	<u>\$ (1,183,702)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,423,309</u>

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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

Function	Depreciation Allocation
Instruction	\$ 2,053,882
Instructional Resources & Media Services	36,740
Curriculum & Instructional Staff Development	17,055
Instructional Leadership	49,990
School Leadership	162,362
Guidance, Counseling & Evaluation Services	142,297
Social Work Services	4,315
Health Services	36,163
Student Transportation	141,063
Food Services	124,139
Extracurricular Activities	355,572
General Administration	126,704
Facilities Maintenance and Operations	374,742
Security and Monitoring Services	11,778
Data Processing Services	102,558
Totals	\$ 3,739,338

7. BONDS, NOTES, AND OTHER LONG-TERM LIABILITIES

Governmental activities long-term debt obligations at June 30, 2022 consisted of the following:

General Long-Term Debt Description	Outstanding at June 30, 2022
\$16,175,000 Series 2006 Unlimited Tax School Bonds due through February 15, 2020; interest at 4.50% to 5.25%.	\$ 195,000
\$8,625,000 Series 2013 - CIBs Unlimited Tax Refunding Bonds due through February 15, 2025; interest at 2.00% to 3.50%.	30,000
Series 2013 - Unlimited Tax Refunding Bonds - accumulated accretion, due February 15, 2025.	660,098
\$5,450,000 Series 2015 Unlimited Tax Refunding Bonds due through February 15, 2020; interest at 2.00% to 4.00%.	5,405,000
\$3,135,000 Series 2016 Unlimited Tax Refunding Bonds due through February 15, 2020; interest at 2.00% to 3.00%.	485,000
\$186,725 Finance Lease for Copier Machines, due in remaining monthly installments of \$3,303 through 2024; interest at 2.35%.	42,253
\$46,180,000 Series 2019 Unlimited Tax Refunding Bonds due through February 15, 2049; interest at 3.00% to 5.00%.	43,880,000
\$7,675 Finance Lease for Copier Machines, due in remaining monthly installments of \$136 through 2025; interest at 2.35%.	3,308
\$40,893 Finance Lease for Copier Machines, due in remaining monthly installments of \$723 through 2025; interest at 2.35%.	25,110
\$3,300,000 Finance Lease for LED lighting and HVAC retrofit, due in remaining semi-annual installments of \$138,385 through 2035; interest at 3.1%.	3,034,217
\$6,995,000 Series 2021 Unlimited Tax Refunding Bonds due through February 15, 2032; interest at 3.00% to 4.00%.	6,945,000
Total General Long-Term Debt	\$ 60,704,986

SALADO INDEPENDENT SCHOOL DISTRICT
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The following is a summary of changes in long-term liabilities for the year ended June 30, 2022:

Type	(Restated)				Outstanding 8/31/22	Due in One Year
	Outstanding 7/1/21	Additions	Deletions	Adjustments		
Bonds Payable:						
General Obligation & Ref. Bonds	\$59,445,000	\$ 6,995,000	\$ (1,625,000)	\$ (7,875,000)	\$56,940,000	\$ 1,550,000
Premium on Issuance of Bonds	4,497,021	1,167,975	(370,461)	-	5,294,535	-
Accretion on Bonds	584,611	75,487	-	-	660,098	-
Total Bonds Payable	<u>64,526,632</u>	<u>8,238,462</u>	<u>(1,995,461)</u>	<u>(7,875,000)</u>	<u>62,894,633</u>	<u>1,550,000</u>
Other Long-Term Liabilities:						
Right to Use Leased Assets Payable	3,377,760	-	(272,872)	-	3,104,888	232,932
Total Other Long-Term Liabilities	<u>3,377,760</u>	<u>-</u>	<u>(272,872)</u>	<u>-</u>	<u>3,104,888</u>	<u>232,932</u>
Total Governmental Activities	<u>\$67,904,392</u>	<u>\$ 8,238,462</u>	<u>\$ (2,268,333)</u>	<u>\$ (7,875,000)</u>	<u>\$65,999,521</u>	<u>\$ 1,782,932</u>

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.

During the year the District issued \$6,995,000 of Unlimited Tax Refunding Bonds, Series 2021, and received premium on the issue in the amount of \$1,167,975. These funds were used for a current refunding of \$7,875,000 of Unlimited Tax Refunding Bonds, Series 2013. The refunding was undertaken to obtain a more favorable average interest rate and as a result reduce overall future debt service payments. The transaction resulted in a decrease in total future debt service payments related to the refunding bonds of \$840,538 and a net present value savings of \$781,707.

Annual principal installments for outstanding bonds vary each year. The debt service requirements to maturity for general obligation bonds as of June 30, 2022 are as follows:

Year Ended June 30,	Bonds Payable			Total Requirements
	Principal	Accumulated Accretion	Interest	
2023	\$ 1,550,000	\$ -	\$ 2,400,376	\$ 3,950,376
2024	1,695,000	-	2,338,400	4,033,400
2025	990,000	660,098	2,264,300	3,914,398
2026	1,830,000	-	2,216,300	4,046,300
2027	1,915,000	-	2,133,000	4,048,000
2028-2032	10,855,000	-	9,351,350	20,206,350
2033-2037	12,625,000	-	6,881,550	19,506,550
2038-2042	9,185,000	-	4,684,000	13,869,000
2043-2047	11,140,000	-	2,727,788	13,867,788
2048-2049	5,155,000	-	389,750	5,544,750
Total	<u>\$ 56,940,000</u>	<u>\$ 660,098</u>	<u>\$ 35,386,814</u>	<u>\$ 92,986,912</u>

SALADO INDEPENDENT SCHOOL DISTRICT
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The debt service requirement for right to use leased assets payable as of June 30, 2022 are as follows:

Year Ended June 30,	Right to Use Leased Assets Payable		Total Requirements
	Principal	Interest	
2023	\$ 232,932	\$ 93,782	\$ 326,714
2024	203,039	87,340	290,379
2025	204,514	81,070	285,584
2026	201,927	74,844	276,771
2027	208,235	68,535	276,770
2028-2032	1,142,916	240,936	1,383,852
2033-2037	911,325	57,371	968,696
Total	<u>\$ 3,104,888</u>	<u>\$ 703,878</u>	<u>\$ 3,808,766</u>

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.

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.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The number of participating employers during fiscal year 2021 are disclosed in the following table.

<u>Participating Employers</u>	
Independent School Districts	1,021
Charter Schools (open enrollment only)	192
Community and Junior Colleges	50
Senior Colleges and Universities	48
Regional Service Centers	20
Medical Schools	9
Educational Districts	3
State Agency	1
Total	<u><u>1,344</u></u>

Plan membership as of August 31, 2020 is shown in the following table. Because the actuarial valuation was based on a roll forward from fiscal year 2020 (see Section F), the Plan membership counts are as of August 31, 2020.

<u>Pension Plan Membership</u>	
Retired plan members or beneficiaries currently receiving benefits	445,274
Inactive plan members entitled to but not yet receiving benefits	322,682
Active plan members	914,752
	<u><u>1,682,708</u></u>

The Average Expected Remaining Service Life (AERSL) of 6.3082 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.

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

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 on the following page.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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.

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>2021</u>	<u>2022</u>
Members	7.70%	8.00%
Employer	7.50%	7.75%
State of Texas (NECE)	7.50%	7.75%
 <u>Contribution Amounts</u>		
Members	\$ 946,742	\$ 1,036,315
Employer	350,125	432,980
State of Texas (NECE)	797,369	897,439

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

- All public schools, charter schools and regional education service centers must contribute 1.6 percent of the member's salary beginning in fiscal year 2021, 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.

E. Net Pension Liability

Components of the Net Pension Liability of the Plan as of August 31, 2021 are disclosed below.

<u>Components of Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 227,273,463,630
Less: Plan Fiduciary Net Position	(201,807,002,496)
Net Pension Liability	<u>\$ 25,466,461,134</u>
Net Position as Percentage of Total Pension Liability	88.79%

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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F. Actuarial Methods and Assumptions

Roll Forward

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the total pension liability to August 31, 2021.

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 three year period ending August 31, 2017 and were adopted in July 2018.

The post-retirement mortality rates for healthy lives were based on the 2018 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 90 percent of the RP-2014 Employee Mortality Tables for males and females, also with full generational mortality.

The long-term expected rate of return on pension plan investments is 7.25 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, 2021 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%	3.60%	0.94%
Non-U.S. Developed	13.00%	4.40%	0.83%
Emerging Markets	9.00%	4.60%	0.74%
Private Equity	14.00%	6.30%	1.36%
Stable Value			
Government Bonds	16.00%	(0.20)%	0.01%
Absolute Return (Including Credit Sensitive Investments)	0.00%	1.10%	0.00%
Stable Value Hedge Funds	5.00%	2.20%	0.12%
Real Return			
Real Estate	15.00%	4.50%	1.00%
Energy, Natural Resources and Infrastructure	6.00%	4.70%	0.35%
Commodities	0.00%	1.70%	0.00%
Risk Parity	8.00%	2.80%	0.28%
Asset Allocation Leverage			
Cash	2.00%	(0.70)%	(0.01)%
Asset Allocation Leverage	(6.00)%	(0.50)%	0.03%
Inflation Expectation			2.20%
Volatility Drag*			0.95%
Expected Return	100.00%		6.90%

*Absolute Return includes Credit Sensitive Investments.

**Target allocations are based on the FY2021 policy model.

***Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021).

****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, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-Term Expected Rate	7.25%
Municipal Bond Rate as of August 2020	1.95% - 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)	2120
Inflation	2.30%
Salary Increases	3.05% to 9.05% 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, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

G. Discount Rate

A single discount rate of 7.25 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 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer 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

There were no changes in assumptions since the prior measurement date.

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 7.25 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption			
	1% Decrease 6.25%	Current Single Discount Rate 7.25%	1% Increase 8.25%
District's Proportionate Share of the Net Pension Liability:	\$ 4,774,053	\$ 2,184,763	\$ 84,062

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, 2021 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, 2020 through August 31, 2021.

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
	8/31/20	8/31/21	
District's Proportion of the Collective Net Pension Liability	0.000069977966	0.000085789800	0.000015811834
District's Proportionate Share of the Net Pension Liability	\$ 3,747,877	\$ 2,184,763	\$ (1,563,114)
State's Proportionate Share of the Net Pension Liability Associated with the District	8,901,841	4,546,442	(4,355,399)
Total Pension Liability	<u>\$ 12,649,718</u>	<u>\$ 6,731,205</u>	<u>\$ (5,918,513)</u>

At June 30, 2022, 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	\$ 3,656	\$ 153,809
Changes in actuarial assumptions	772,271	336,644
Difference between projected and actual investment earnings	135,702	1,967,597
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	886,212	412,621
Contributions paid to TRS subsequent to the measurement date	356,477	-
Total	\$ 2,154,318	\$ 2,870,671

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
2022	\$ (120,143)
2023	(166,132)
2024	(367,206)
2025	(525,136)
2026	73,887
Thereafter	31,900

SALADO INDEPENDENT SCHOOL DISTRICT
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For the year ended June 30, 2022, Salado Independent School District recognized pension expense of (\$62,568) and revenue of \$18,176 for support provided by the State.

9. EMPLOYEE HEALTH CARE COVERAGE

During the year ended June 30, 2022, employees of the District were covered by the state-wide health insurance plan, TRS Active Care. The District contributed \$225 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 \$271,311,000 as of August 31, 2021.

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.

SALADO INDEPENDENT SCHOOL DISTRICT
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During fiscal year 2021, the number of participating employers are presented in the following table.

<u>Participating Employers</u>	
Independent School Districts	1,020
Open Enrollment Charter Schools	192
Regional Service Centers	20
Other Educational Districts	<u>3</u>
Total	<u><u>1,235</u></u>

TRS-Care plan membership as of August 31, 2020 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	745,937
Inactive plan members currently receiving benefits	188,244
Inactive plan members entitled to but not yet receiving benefits	12,312
Total	<u><u>946,493</u></u>

The Average Expected Remaining Service Life (AERSL) of 9.1672 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 2021.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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>2021</u>	<u>2022</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	\$ 79,922	\$ 84,716
Employer	96,860	116,740
State of Texas (NECE)	140,712	158,372
* 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 the TRS. The TRS-Care surcharges for fiscal year 2021 totaled \$10,876,829.

A supplemental appropriation was authorized by Senate Bill 1264 of the 86th Texas Legislature to provide \$2,208,137 for fiscal year 2020 and \$3,312,206 for fiscal year 2021, for consumer protections against medical and health care billing by certain out-of-network providers. Funding for both years was in fiscal year 2021.

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, 2021 are disclosed in the following table.

<u>Components of OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 41,113,711,083
Less: Plan Fiduciary Net Position	(2,539,242,470)
Net OPEB Liability	<u>\$ 38,574,468,613</u>
Net Position as a Percentage of Total OPEB Liability	6.18%

The Net OPEB Liability increased by \$0.6 billion, from \$38.0 billion as of August 31, 2020 to \$38.6 billion as of August 31, 2021. The increase was less than expected, due primarily to favorable claims experience. The \$4.0 billion experience gain offset the impact of the lower discount rate, from 2.33 percent to 1.95 percent, and also offset much of the natural liability increase due to the passage of time.

SALADO INDEPENDENT SCHOOL DISTRICT
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F. Actuarial Methods and Assumptions

Roll Forward

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021.

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.

In addition to the Demographic assumptions; salary increases, inflation rates used for members of TRS are identical to the assumptions employed in the August 31, 2021 TRS annual pension actuarial valuation.

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.

Election Rates

Normal Retirement - 65 percent participation rate prior to age 65 and 40 percent participation rate after age 65. Pre-65 retirees - 25 percent are assumed to discontinue coverage at age 65

Health Care Trend Rates

The initial medical trend rates were 8.50 percent for Medicare retirees and 7.10 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 12 years.

Actuarial Methods and Assumptions

Valuation Date	August 31, 2020, rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
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

SALADO INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022

G. Discount Rate

A single discount rate of 1.95 percent was used to measure the total OPEB liability. This was a decrease of 0.38 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 2.33 percent as of August 31, 2020 to 1.95 percent, as of August 31, 2021. This change increased the Total OPEB Liability.

I. Changes of Benefit Terms Since the Prior Measurement Date

There were no changes in benefit terms since the prior measurement date.

J. 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, 0.95 percent or one percentage point higher, 2.95 percent, than the AA/Aa rate. 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."

Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption			
	1% Decrease 0.95%	Current Single Discount Rate 1.95%	1% Increase 2.95%
District's Proportionate Share of the Net OPEB Liability	\$ 6,507,261	\$ 5,394,708	\$ 4,519,093

K. 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	\$ 4,369,535	\$ 5,394,708	\$ 6,770,236

L. 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, 2021 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, 2020 through August 31, 2021.

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

	Measurement Date		Change
	8/31/20	8/31/21	
District's Proportion of the Collective Net OPEB Liability	0.000121412522	0.000139851777	0.000018439255
District's Proportionate Share of the Net OPEB Liability	\$ 4,615,438	\$ 5,394,708	\$ 779,270
State's Proportionate Share of the Net OPEB Liability Associated with the District	6,202,043	7,227,706	1,025,663
Total OPEB Liability	<u>\$ 10,817,481</u>	<u>\$ 12,622,414</u>	<u>\$ 1,804,933</u>

At June 30, 2022, 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	\$ 232,268	\$ 2,611,416
Changes in actuarial assumptions	597,527	1,140,881
Difference between projected and actual investment earnings	5,929	72
Change in proportion and difference between the employer's contributions and the proportionate share of contributions	1,688,757	92,758
Contributions paid to TRS subsequent to the measurement date	98,472	-
Total	\$ 2,622,953	\$ 3,845,127

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
2022	\$ (343,574)
2023	(343,706)
2024	(343,671)
2025	(201,668)
2026	(9,419)
Thereafter	(78,608)

For the year ended June 30, 2022, Salado Independent School District recognized OPEB expense of (\$80,781) and revenue of (\$266,758) 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, 2022 and June 30, 2021, the subsidy payments received by TRS-Care on behalf of the District were \$55,298 and \$56,730, respectively.

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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.

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 Fund	
Property Taxes	\$ 10,794,560	\$ 6,170,627	\$ -	\$ -	\$ -	\$ -	\$ 16,965,187
Tuition and Fees	6,459	-	-	99,174	-	-	105,633
Investment Income	39,418	35,356	7,182	-	214	-	82,170
Rent	76,387	-	-	-	-	-	76,387
Gifts	11,500	-	-	-	-	-	11,500
Insurance Recovery	245,158	-	-	-	-	-	245,158
Food Sales	-	-	106,644	-	-	-	106,644
Athletics	67,113	-	-	-	-	-	67,113
Extracurricular Act.	-	-	-	-	-	40,188	40,188
Enterprising Rev.	-	-	978,520	-	-	-	978,520
Misc. Local Rev.	60,830	-	-	-	-	-	60,830
Total	\$ 11,301,425	\$ 6,205,983	\$ 1,092,346	\$ 99,174	\$ 214	\$ 40,188	\$ 18,739,330

SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

14. UNEARNED REVENUE

Unearned revenue at June 30, 2022 consisted of the following amounts:

Fund	Local Revenue	State Grants	Total
Non-Major Governmental Funds	\$ 2,108	\$ 116	\$ 2,224
Total	\$ 2,108	\$ 116	\$ 2,224

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, 2022, 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.

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, 2022, 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, 2022, 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, 2022, 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, 2021, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

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SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

18. IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING STANDARD

During the year the District implemented Governmental Accounting Standards Board Statement No. 87 - *Leases* (“GASB 87”). The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions in the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities

The District has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease 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 87 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. As such, the effect on beginning net position as shown within these financial statements is as follows:

	Governmental Activities
Net position as previously stated at June 30, 2021	\$ 5,824,571
Effect of Implementing GASB Statement No. 87	<u>(6,336)</u>
Net Position as restated at June 30, 2021	<u><u>\$ 5,818,235</u></u>

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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, 2022

	Measurement Year			
	2021	2020	2019	2018
District's Proportion of the Net Pension Liability	0.0085789800%	0.0069977966%	0.0083853398%	0.0082054544%
District's Proportionate Share of the Net Pension Liability	\$ 2,184,763	\$ 3,747,877	\$ 4,358,962	\$ 4,516,481
State's Proportionate Share of the District Net Pension Liability	4,546,442	8,901,841	7,538,160	7,969,119
Total Pension Liability	<u>\$ 6,731,205</u>	<u>\$ 12,649,718</u>	<u>\$ 11,897,122</u>	<u>\$ 12,485,600</u>
District's Covered-Employee Payroll	\$ 13,033,148	\$ 10,802,511	\$ 9,967,340	\$ 9,263,341
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	16.76%	34.69%	43.73%	48.76%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	88.79%	75.54%	75.24%	73.74%

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			
2017	2016	2015	2014
0.0072624278%	0.0064772931%	0.0062096000%	0.0029766000%
\$ 2,322,133	\$ 2,447,673	\$ 2,195,011	\$ 795,092
4,664,235	5,053,303	4,779,405	4,042,918
\$ 6,986,368	\$ 7,500,976	\$ 6,974,416	\$ 4,838,010
\$ 7,182,552	\$ 7,090,930	\$ 6,682,804	\$ 6,504,929
32.33%	34.52%	32.85%	12.22%
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, 2022

	Fiscal Year			
	2022	2021	2020	2019
Contractually Required Contribution	\$ 432,980	\$ 350,125	\$ 285,277	\$ 291,655
Contribution in Relation to the Contractually Required Contribution	(432,980)	(350,125)	(285,277)	(291,655)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 13,033,148	\$ 12,295,359	\$ 10,802,511	\$ 9,967,340
Contributions as a Percentage of Covered- Employee Payroll	3.32%	2.85%	2.64%	2.93%

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			
2018	2017	2016	2015
\$ 261,779	\$ 196,748	\$ 210,787	\$ 183,869
(261,779)	(196,748)	(210,787)	(183,869)
\$ -	\$ -	\$ -	\$ -
\$ 9,263,341	\$ 7,182,552	\$ 7,090,930	\$ 6,682,804
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, 2022

	Measurement Year			
	2021	2020	2019	2018
District's Proportion of the Net Liability for Other Post Employment Benefits	0.0139851777%	0.0121412522%	0.0115211115%	0.0117441719%
District's Proportionate Share of the Net Post Employment Benefit Liability	\$ 5,394,708	\$ 4,615,438	\$ 5,448,476	\$ 5,863,973
State's Proportionate Share of the Net Post Employment Benefit Liability Associated with the District	7,227,706	6,202,043	7,239,804	8,202,529
Total Other Post Employment Benefits Liability	<u>\$ 12,622,414</u>	<u>\$ 10,817,481</u>	<u>\$ 12,688,280</u>	<u>\$ 14,066,502</u>
District's Covered Payroll	\$ 12,295,359	\$ 10,802,511	\$ 9,967,340	\$ 9,263,341
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	43.88%	42.73%	54.66%	63.30%
Percentage of the Total Net OPEB Liability	6.18%	4.99%	2.66%	1.57%

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.

Measurement Year
2017

0.0106543337%

\$ 4,633,170

7,103,886

\$ 11,737,056

\$ 7,182,552

64.51%

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, 2022

	Fiscal Year			
	2022	2021	2020	2019
Contractually Required Contribution	\$ 116,740	\$ 96,860	\$ 84,788	\$ 79,656
Contribution in Relation to the Contractually Required Contribution	(116,740)	(96,860)	(84,788)	(79,656)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 13,033,148	\$ 12,295,359	\$ 10,802,511	\$ 9,967,340
Contributions as a Percentage of Covered Payroll	0.90%	0.79%	0.78%	0.80%

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	
2018	2017
\$ 72,976	\$ 44,854
(72,976)	(44,854)
\$ -	\$ -
\$ 9,263,341	\$ 7,182,552
0.79%	0.62%

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SALADO INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

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

- There were no changes in assumptions since the prior measurement date.
-

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 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 2.33 percent as of August 31, 2020 to 1.95 percent, as of August 31, 2021.

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

SALADO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2022

Data Control Codes	211	224	225
	ESEA, Title I, Part A	IDEA-Part B, Formula	IDEA-Part B, Preschool
ASSETS			
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240 Due from Other Governments	86,502	184,870	1,500
1000A Total Assets	<u>\$ 86,502</u>	<u>\$ 184,870</u>	<u>\$ 1,500</u>
LIABILITIES			
2110 Accounts Payable	\$ 1,808	\$ -	\$ -
2160 Accrued Wages Payable	16,225	38,295	-
2170 Due to Other Funds	65,217	139,748	1,500
2200 Accrued Expenditures	3,252	6,827	-
2300 Unearned Revenues	-	-	-
2000 Total Liabilities	<u>86,502</u>	<u>184,870</u>	<u>1,500</u>
FUND BALANCES			
Restricted for:			
3450 Federal or State Funds Restricted	-	-	-
Committed for:			
3545 Other Committed Fund Balance	-	-	-
3000 Total Fund Balances	-	-	-
4000 Total Liab., Def. Inflows, and Fund Balances	<u>\$ 86,502</u>	<u>\$ 184,870</u>	<u>\$ 1,500</u>

240	255	266	279	281	282
National Breakfast and Lunch Program	ESEA, Title II, Part A	Elementary & Secondary School Emergency Relief I	TCLAS- Elementary & Secondary School Emergency Relief III	Elementary & Secondary School Emergency Relief II	Elementary & Secondary School Emergency Relief III
\$ 461,556	\$ -	\$ -	\$ -	\$ -	\$ -
-	22,301	-	110,638	140,883	202,399
<u>\$ 461,556</u>	<u>\$ 22,301</u>	<u>\$ -</u>	<u>\$ 110,638</u>	<u>\$ 140,883</u>	<u>\$ 202,399</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,098	\$ 2,374
23,228	6,930	-	-	-	10,803
-	14,192	-	110,638	139,785	187,689
3,105	1,179	-	-	-	1,533
2,108	-	-	-	-	-
<u>28,441</u>	<u>22,301</u>	<u>-</u>	<u>110,638</u>	<u>140,883</u>	<u>202,399</u>
433,115	-	-	-	-	-
-	-	-	-	-	-
<u>433,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 461,556</u>	<u>\$ 22,301</u>	<u>\$ -</u>	<u>\$ 110,638</u>	<u>\$ 140,883</u>	<u>\$ 202,399</u>

SALADO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2022

Data	283	284	289
Control Codes	IDEA-Part B, Formula-ARRA	IDEA-Part B, Preschool-ARRA	Federally Funded Spec. Rev. Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240 Due from Other Governments	110,727	41,170	6,761
1000A Total Assets	<u>\$ 110,727</u>	<u>\$ 41,170</u>	<u>\$ 6,761</u>
LIABILITIES			
2110 Accounts Payable	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	21,576	10,151	2,368
2170 Due to Other Funds	85,438	30,151	4,134
2200 Accrued Expenditures	3,713	868	259
2300 Unearned Revenues	-	-	-
2000 Total Liabilities	<u>110,727</u>	<u>41,170</u>	<u>6,761</u>
FUND BALANCES			
Restricted for:			
3450 Federal or State Funds Restricted	-	-	-
Committed for:			
3545 Other Committed Fund Balance	-	-	-
3000 Total Fund Balances	-	-	-
4000 Total Liab., Def. Inflows, and Fund Balances	<u>\$ 110,727</u>	<u>\$ 41,170</u>	<u>\$ 6,761</u>

397	410	429	461	699	
Advanced Placement Incentives	State Textbook Fund	State Funded Special Revenue Funds	Campus Activity Funds	Capital Projects Fund	Total Non-Major Governmental Funds
\$ 85	\$ -	\$ 31	\$ 642,781	\$ -	\$ 1,104,453
-	49,028	-	-	-	956,779
\$ 85	\$ 49,028	\$ 31	\$ 642,781	\$ -	\$ 2,061,232
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,280
-	-	-	-	-	129,576
-	49,028	-	-	-	827,520
-	-	-	-	-	20,736
85	-	31	-	-	2,224
85	49,028	31	-	-	985,336
-	-	-	-	-	433,115
-	-	-	642,781	-	642,781
-	-	-	642,781	-	1,075,896
\$ 85	\$ 49,028	\$ 31	\$ 642,781	\$ -	\$ 2,061,232

SALADO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

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	149,004	299,274	5,355
5020 Total Revenues	<u>149,004</u>	<u>299,274</u>	<u>5,355</u>
EXPENDITURES			
0011 Instruction	149,004	151,432	5,355
0012 Instructional Resources & Media Services	-	-	-
0013 Curriculum & Instructional Staff Development	-	-	-
0031 Guidance, Counseling & Evaluation Services	-	147,842	-
0033 Health Services	-	-	-
0034 Student Transportation	-	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	-	-	-
0051 Facilities Maintenance and Operations	-	-	-
0081 Facilities Acquisition and Construction	-	-	-
6030 Total Expenditures	<u>149,004</u>	<u>299,274</u>	<u>5,355</u>
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - Beginning	-	-	-
3000 Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240	255	266	279	281	282
National Breakfast and Lunch Program	ESEA, Title II, Part A	Elementary & Secondary School Emergency Relief I	TCLAS- Elementary & Secondary School Emergency Relief III	Elementary & Secondary School Emergency Relief II	Elementary & Secondary School Emergency Relief III
\$ 108,282	\$ -	\$ -	\$ -	\$ -	\$ -
27,939	-	-	-	-	-
986,088	39,222	5,344	96,527	232,390	267,812
1,122,309	39,222	5,344	96,527	232,390	267,812
-	39,222	5,344	96,527	184,940	91,508
-	-	-	-	-	-
-	-	-	-	-	15,300
-	-	-	-	47,450	-
-	-	-	-	-	18,413
-	-	-	-	-	16,072
745,270	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	126,519
745,270	39,222	5,344	96,527	232,390	267,812
377,039	-	-	-	-	-
56,076	-	-	-	-	-
\$ 433,115	\$ -	\$ -	\$ -	\$ -	\$ -

SALADO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

Data	283	284	289
Control Codes	IDEA-Part B, Formula-ARRA	IDEA-Part B, Preschool-ARRA	Federally Funded Spec. Rev. Fund
REVENUES			
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-
5900 Federal Program Revenues	181,782	41,170	92,301
5020 Total Revenues	<u>181,782</u>	<u>41,170</u>	<u>92,301</u>
EXPENDITURES			
0011 Instruction	155,543	41,170	11,111
0012 Instructional Resources & Media Services	-	-	-
0013 Curriculum & Instructional Staff Development	648	-	-
0031 Guidance, Counseling & Evaluation Services	-	-	-
0033 Health Services	25,591	-	13,510
0034 Student Transportation	-	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	-	-	-
0051 Facilities Maintenance and Operations	-	-	67,680
0081 Facilities Acquisition and Construction	-	-	-
6030 Total Expenditures	<u>181,782</u>	<u>41,170</u>	<u>92,301</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	699	
	Advanced Placement Incentives	State Textbook Fund	State Funded Special Revenue Funds	Campus Activity Funds	Capital Projects Fund	Total Non-Major Governmental Funds
\$	-	\$ -	\$ -	\$ 982,038	\$ 2,026	\$ 1,092,346
	-	81,708	31	-	-	109,678
	-	-	-	-	-	2,396,269
	-	81,708	31	982,038	2,026	3,598,293
	-	81,708	-	-	-	1,012,864
	-	-	31	-	-	31
	-	-	-	-	-	15,948
	-	-	-	-	-	195,292
	-	-	-	-	-	57,514
	-	-	-	-	-	16,072
	-	-	-	-	-	745,270
	-	-	-	772,984	-	772,984
	-	-	-	-	-	67,680
	-	-	-	-	1,193,683	1,320,202
	-	81,708	31	772,984	1,193,683	4,203,857
	-	-	-	209,054	(1,191,657)	(605,564)
	-	-	-	433,727	1,191,657	1,681,460
\$	-	\$ -	\$ -	\$ 642,781	\$ -	\$ 1,075,896

SALADO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FOR THE YEAR ENDED JUNE 30, 2022

Last 10 Years Ended June 30,		Tax Rates		3 Assessed/Appraised Value for School Tax Purposes
		1	2	
		Maintenance	Debt Service	
2013	and prior years	Various	Various	Various
2014		1.04000	0.26000	\$ 676,422,832
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	(School year under audit)	0.87200	0.50000	1,237,147,522
TOTALS				

	10	20	31	32	40	50
	Beginning Balance 7/1/21	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 6/30/22
\$	20,588	\$ -	\$ 2,026	\$ 507	\$ (4,995)	\$ 13,060
	11,590	-	862	215	-	10,513
	9,194	-	804	194	-	8,196
	17,819	-	709	160	1	16,951
	17,404	-	922	163	(32)	16,287
	21,439	-	2,227	394	1,479	20,297
	36,642	-	9,788	1,730	989	26,113
	71,184	-	12,772	6,583	(6,315)	45,514
	266,242	-	107,055	61,196	(40,152)	57,839
	-	16,973,664	10,569,929	6,060,739	(116,910)	226,086
\$	472,102	\$ 16,973,664	\$ 10,707,094	\$ 6,131,881	\$ (165,935)	\$ 440,856

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, 2022

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget	
	Original	Final	Amounts (GAAP BASIS)		
REVENUES					
5700	Local & Intermediate Sources	\$ 245,750	\$ 107,694	\$ 108,282	\$ 588
5800	State Program Revenues	22,659	27,939	27,939	-
5900	Federal Program Revenues	255,066	1,103,817	986,088	(117,729)
5020	Total Revenues	523,475	1,239,450	1,122,309	(117,141)
EXPENDITURES					
0035	Food Services	634,463	825,089	745,270	79,819
6030	Total Expenditures	634,463	825,089	745,270	79,819
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(110,988)	414,361	377,039	(37,322)
OTHER FINANCING SOURCES (USES)					
7915	Transfers In	110,988	-	-	-
7080	Total Other Finance Sources (Uses)	110,988	-	-	-
1200	Net Change in Fund Balances	-	414,361	377,039	(37,322)
0100	Fund Balance-July 1 (Beginning)	56,076	56,076	56,076	-
3000	Fund Balance-June 30 (Ending)	\$ 56,076	\$ 470,437	\$ 433,115	\$ (37,322)

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, 2022

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget	
	Original	Final	Amounts (GAAP BASIS)		
REVENUES					
5700	Local & Intermediate Sources	\$ 5,453,313	\$ 6,175,728	\$ 6,205,983	\$ 30,255
5800	State Program Revenues	-	26,424	26,424	-
5020	Total Revenues	5,453,313	6,202,152	6,232,407	30,255
EXPENDITURES					
Debt Service:					
0071	Principal on Long Term Debt	1,575,000	1,635,000	1,625,000	10,000
0072	Interest on Long Term Debt	2,449,200	2,400,000	2,391,763	8,237
0073	Bond Issuance Cost and Fees	10,000	185,000	166,641	18,359
6030	Total Expenditures	4,034,200	4,220,000	4,183,404	36,596
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	1,419,113	1,982,152	2,049,003	66,851
OTHER FINANCING SOURCES (USES)					
7901	Refunding Bonds Issued	-	6,995,000	6,995,000	-
7916	Premium or Discount on Issuance of Bonds	-	1,167,975	1,167,975	-
8940	Payments to Bond Ref. Escrow Agent	(1,419,113)	(10,145,127)	(7,999,813)	2,145,314
7080	Total Other Finance Sources (Uses)	(1,419,113)	(1,982,152)	163,162	2,145,314
1200	Net Change in Fund Balances	-	-	2,212,165	2,212,165
0100	Fund Balance-July 1 (Beginning)	5,035,090	5,035,090	5,035,090	-
3000	Fund Balance-June 30 (Ending)	\$ 5,035,090	\$ 5,035,090	\$ 7,247,255	\$ 2,212,165

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SALADO INDEPENDENT SCHOOL DISTRICT
 USE OF FUNDS REPR – SELECT STATE ALLOTMENT PROGRAMS
 FOR THE YEAR ENDED JUNE 30, 2022

Data		1
Control		Responses
Codes	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.	\$ 731,654
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 495,419
	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.	\$ 61,029
AP8	Actual direct program expenditures for bilingual education programs during the District's fiscal year. (PICs 25, 35)	\$ 42,016

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SALADO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 FOR THE YEAR ENDED JUNE 30, 2022

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?	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 there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	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.	\$ 660,098

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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, each major fund, and the aggregate remaining fund information of Salado Independent School District, as of and for the year ended June 30, 2022, 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 2, 2022.

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.

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*.

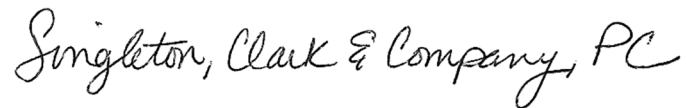
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Salado Independent School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Salado Independent School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Salado Independent School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC".

Singleton, Clark & Company, PC
Cedar Park, Texas

September 2, 2022

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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, 2022. 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, 2022.

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, 2022, and have issued our report thereon dated September 2, 2022, 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 2, 2022

SALADO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

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		\$ 6,056
Total Direct Awards			<u>6,056</u>
<u>Passed through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22610101014908	149,004
IDEA - Part B, Formula ¹	84.027A	226600010149086600	299,274
COVID-19, IDEA - Part B, Formula - American Rescue Plan ¹	84.027X	225350010149085350	41,170
Total Assistance Listing Number 84.027			<u>340,444</u>
IDEA - Part B, Preschool ¹	84.173A	226610010149086610	5,355
ESEA, Title II, Part A - Teacher and Principal Training	84.367A	22694501014908	39,222
COVID-19, ESSER I	84.425D	20521001014908	5,344
COVID-19, ESSER III Texas COVID Learning Acceleration Supports	84.425U	21528042014908	110,638
COVID-19, ESSER II	84.425U	21521001014908	251,765
COVID-19, ESSER III	84.425U	21528001014908	284,328
COVID-19, ESSER III Supplemental	84.425U	21528043014908	206,613
Total Assistance Listing Number 84.425			<u>858,688</u>
Title IV, Part A, Subpart 1	84.424A	22680101014908	11,111
Total Passed through Texas Education Agency			<u>1,403,824</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,409,880</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed through Texas Education Agency</u>			
National School Breakfast Program ²	10.553	71402201	166,879
National School Lunch Program ²	10.555	71302201	720,333
Total Passed through Texas Education Agency			<u>887,212</u>
<u>Passed through Texas Department of Agriculture</u>			
Food Distribution Program - Non-Cash Assistance ²	10.555	NT4XL1YGLGC5	50,869
Supply Chain Assistance Program ²	10.555	NT4XL1YGLGC5	47,393
Total Assistance Listing Number 10.555			<u>98,262</u>
P-EBT Local Level Administrative Cost Grant	10.649	NT4XL1YGLGC5	614
Total Passed through Texas Department of Agriculture			<u>98,876</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>986,088</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	1,614
Total Passed through Texas Comptroller of Public Accounts			<u>1,614</u>
TOTAL U.S. DEPARTMENT OF THE INTERIOR			<u>1,614</u>
U.S. DEPARTMENT HEALTH AND HUMAN SERVICES			
<u>Passed through Texas Education Agency</u>			
COVID-19, School Health Support Grant	93.323	NU50CK000501-02-06	81,190
Total Passed through Texas Education Agency			<u>81,190</u>
TOTAL U.S. DEPT. OF HEALTH AND HUMAN SERVICES			<u>81,190</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,478,772</u></u>
<i>Not Considered Federal Financial Assistance:</i>			
School Health and Related Services (SHARS) Revenue			\$ 29,939
E-Rate Revenue			<u>17,261</u>
TOTAL FEDERAL REVENUE PER STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE			<u><u>\$ 2,525,972</u></u>

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, 2022

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, 2022. 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
FOR THE YEAR ENDED JUNE 30, 2022

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:

Child Nutrition Cluster	Unmodified
Elementary and Secondary School Emergency Relief	Unmodified

Any audit findings disclosed that are required to be reported in accordance with the federal Uniform Guidance? Yes No

Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.425D, 84.425U	ESSER I, II, III, TCLAS-ESSER 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 (Continued)
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022 and June 30, 2021.

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, 2022 and 2021.