

**SALADO PUBLIC LIBRARY
DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2023

SALADO PUBLIC LIBRARY DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2023

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditors' Report on Financial Statements.....	1
Management's Discussion and Analysis (Required Supplementary Information).....	4
 <u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Statement of Net Position.....	8
Statement of Activities.....	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	10
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Position.....	11
Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures,	
and Changes in Fund Balances of Governmental Funds	
to the Statement of Activities.....	13
Notes to the Financial Statements.....	14
 <u>Required Supplementary Information:</u>	
Budgetary Comparison Schedules:	
General Fund.....	22

FINANCIAL SECTION

West, Davis & Company

a limited liability partnership

Independent Auditors' Report

Board of Trustees
Salado Public Library District

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Salado Public Library District (the District) as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the 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, and each major fund of the District as of August 31, 2023 and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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 and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who

considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistence with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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



West, Davis & Company, LLP
Austin, Texas
December 11, 2023

Salado Public Library District

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of Salado Public Library District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2023. Please read it in conjunction with the independent auditors' report on page 1, and the District's Basic Financial Statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- Sales tax revenue of \$673 thousand represents 95% of all revenue sources.
- Net position increased by \$208 thousand or 28%.
- The District's fund balance increased from \$740 thousand to \$948 thousand during the year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities on pages 8 and 9. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements, starting on page 10, report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements starting on page 14 provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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 on page 8. Its primary purpose 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 and liabilities 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 library fines and fees, and revenues provided by taxpayers. 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 (such as accrued legal fees).

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. 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 non-financial factors as well, such as changes in the District's property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has only one type of activity:

- Governmental activities—Most of the District's basic services are reported here, including the general government and library services. Sales and use taxes and fees finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 8 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants. The District's administration establishes other funds to help it control and manage money for particular purposes. The District has only governmental fund type and within that only one fund – the General Fund.

Governmental funds—Most of the District's basic services are reported in governmental funds, i.e. the General Fund. 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District began financial operations in 2002 with its fiscal year starting every September 1. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from \$1.9 million to \$2.1 million. 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 \$948 thousand at August 31, 2023.

Table I
Salado Public Library District

NET POSITION
in thousands

	Governmental Activities	
	2023	2022
Current and other assets	960	770
Capital assets	1,140	1,179
Total assets	2,100	1,949
Other liabilities	12	29
Total liabilities	12	29
Net position:		
Invested in capital assets, net of related debt	1,140	1,180
Unrestricted	948	740
Total net position	2,088	1,920

Table II
Salado Public Library District

CHANGES IN NET POSITION

in thousands

	Governmental Activities	
	2023	2022
Revenues:		
Program revenues:		
Charges for services	11	20
Operating grants	0	35
General revenues:		
Sales taxes	673	657
Investment Earnings	18	3
Donations	2	0
Miscellaneous	8	6
Total Revenues	712	721
Expenses:		
General government	14	15
Library	529	466
Total Expenses	543	481
Increase/Decrease in net position	169	240

The cost of all governmental activities this year was \$533 thousand. The Statement of Activities on page 9 shows the amount that our taxpayers ultimately financed for these activities through District sales tax revenue of \$673 thousand.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Government funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved and undesignated fund balance may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$948 thousand. The amount of \$948 thousand constitutes unassigned fund balance.

The general fund is the only operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare unassigned and total fund balance to the total fund expenditures. Fund balance represents 188 percent of that same amount.

The total fund balance of the District's general fund increased by \$208 thousand. The key factor was an increase in sales tax revenue.

The District's total general fund revenues were \$712 thousand. A significant portion, \$673 thousand or 95 percent of the District's revenues comes from sales taxes.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was no revisions made to the original budget during the year.

CAPITAL ASSET ADMINISTRATION

As of year end, the District had \$1.1 million invested in furniture and fixtures, collection and equipment. More detailed information is disclosed in note C to the financial statements.

DEBT ADMINISTRATION

As of year end, the District had no outstanding long term liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Sales tax revenue is budgeted at \$625 thousand in fiscal year 2024 an increase of 15% over that budgeted in 2023. Operating expenses have been budgeted at \$626 thousand an increase of 16% over that budgeted in 2023. Operating expenses for 2024 include \$40 thousand for Expansion Planning.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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 Secretary at the District's business office at Salado Public Library District, 1151 North Main Street, Salado, Texas 76571.

BASIC FINANCIAL STATEMENTS

SALADO PUBLIC LIBRARY DISTRICT
Statement of Net Position
August 31, 2023

	Governmental Activities	Total
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 69,124	\$ 69,124
Investments	781,514	781,514
Due from State - Sales Tax	109,447	109,447
Other	-	
Capital Assets:		
Land	273,000	273,000
Building and Improvements	1,170,340	1,170,340
Furniture and Fixtures	201,566	201,566
Land Improvements	17,410	17,410
Less: Accumulated Depreciation	(522,385)	(522,385)
TOTAL ASSETS	\$ 2,100,016	\$ 2,100,016
 <u>LIABILITIES</u>		
Accounts Payable	\$ 11,652	\$ 11,652
TOTAL LIABILITIES	\$ 11,652	\$ 11,652
 <u>NET POSITION</u>		
Net investment in Capital Assets	\$ 1,139,931	\$ 1,139,931
Unrestricted	948,433	948,433
TOTAL NET POSITION	\$ 2,088,364	\$ 2,088,364

The accompanying notes are an integral part of this statement.

SALADO PUBLIC LIBRARY DISTRICT
Statement of Activities
For the Year Ended August 31, 2023

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Total
<u>FUNCTIONS/PROGRAMS</u>					
Government Activities:					
General Government	\$ 12,865	\$ -	\$ -	\$ 12,865	\$ 12,865
Library	530,765	10,630	-	520,135	520,135
Total Governmental Activities	<u>543,630</u>	<u>10,630</u>	<u>-</u>	<u>533,000</u>	<u>533,000</u>
 TOTAL	<u><u>\$ 543,630</u></u>	<u><u>\$ 10,630</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 533,000</u></u>	<u><u>\$ 533,000</u></u>
General Revenues:					
Sales Taxes				673,329	673,329
Interest Income				18,411	18,411
Donations				2,000	2,000
Other Revenues				7,869	7,869
Total General Revenues				<u>701,609</u>	<u>701,609</u>
Changes in Net Position				168,609	168,609
Net Position - Beginning of Year				1,919,755	1,919,755
Net Position - End of Year				<u><u>\$ 2,088,364</u></u>	<u><u>\$ 2,088,364</u></u>

The accompanying notes are an integral part of this statement.

SALADO PUBLIC LIBRARY DISTRICT
Balance Sheet - Governmental Funds
August 31, 2023

ASSETS

Cash and Cash Equivalents	\$	69,124
Investments		781,514
Prepaid Expenses		-
Due from State - Sales Tax		109,447
TOTAL ASSETS		\$ 960,085

LIABILITIES AND FUND BALANCES

Accounts Payable and Accrued Liabilities	\$	11,652
TOTAL LIABILITIES		\$ 11,652

FUND BALANCES

Unassigned	\$	948,433
TOTAL FUND BALANCES		\$ 948,433
TOTAL LIABILITIES AND FUND BALANCES		\$ 960,085

The accompanying notes are an integral part of this statement.

SALADO PUBLIC LIBRARY DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
August 31, 2023

Total Fund Balance - Governmental Fund	\$	948,433
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in the operation of governmental funds are not financial resources and, therefore, are not reported in the Governmental Fund Balance Sheet. These assets consist of the following:

Land		273,000
Building and Improvements		1,170,340
Furniture and Fixtures		201,566
Land Improvements		17,410
Less: Accumulated Depreciation		(522,385)
		866,931

Net position of governmental activities	\$	1,815,364
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The accompanying notes are an integral part of this statement.

SALADO PUBLIC LIBRARY DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended August 31, 2023

REVENUES

Sales Taxes	\$ 673,329
Charges for Program Services	10,630
Investment Income	18,411
Other	9,869
TOTAL REVENUES	712,239

EXPENDITURES

General Government	12,865
Library	491,074
Capital Outlay	-
TOTAL EXPENDITURES	503,939

Net Change in Fund Balance	208,300
Fund Balance - Beginning of Year	740,133
Fund Balance - End of Year	\$ 948,433

The accompanying notes are an integral part of this statement.

SALADO PUBLIC LIBRARY DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended August 31, 2023

Net Change in Fund Balance - Total Governmental Funds	\$	208,300
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives and is reported as depreciation expense. This activity is reconciled as follows:

Cost of assets capitalized		-
Depreciation expense		<u>(39,691)</u>

Change in Net Position of Governmental Activities - Statement of Activities	\$	<u><u>168,609</u></u>
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The accompanying notes are an integral part of this statement.

SALADO PUBLIC LIBRARY DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2023

A. Summary of Significant Accounting Policies

The basic financial statements of Salado Public Library District (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The District’s Board of Trustees (the “Board”), a five-member group, has governance responsibilities over all activities related to the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the District. The District receives funding from a local sales and use tax, as well as other sources and must comply with the requirements of Chapter 326 of the Local Government Code of the State of Texas under which the District was created. However the District is not included in any other governmental “reporting entity” as defined by the GASB in its Statement No. 14, “The Financial Reporting Entity,” and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District maintains no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

SALADO PUBLIC LIBRARY DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2023

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earnings and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of sales and use taxes. Sales and use tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

SALADO PUBLIC LIBRARY DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2023

3. Financial Statement Amounts

a. Cash and Cash Equivalents

Cash and cash equivalents are comprised of bank demand and time deposits (certificates of deposit).

b. Sales and Use Tax

The District is authorized to assess and the Comptroller of Public Accounts collects and distributes to the District a 0.5% sales and use tax on qualified sales within the District.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 for buildings and improvements and \$2,500 for other capital assets is used.

The collection consists of fiction and nonfiction books and audiovisual and computer materials that are recorded in the catalog database. The District follows the practice of carrying materials at original cost at time of purchase or fair market value at time of donation. Periodicals are expensed in the year purchased.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building & Improvements	7-39
Furniture & Fixtures	5
Equipment	3-7

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables, which are not scheduled for collection within one year of year-end.

SALADO PUBLIC LIBRARY DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2023

e. Uses of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

f. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

SALADO PUBLIC LIBRARY DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2023

B. Deposits and Investments

The District funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District’s agent bank agrees with pledge 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 depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

Cash Deposits

At August 31, 2023, the carrying amount of the District’s deposits (cash and interest-bearing savings) was \$69,124. The balance at the various banks was \$86,347. For the year ended August 31, 2023, the District’s deposits were fully insured by the Federal Deposit Insurance Corporation.

Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments, which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The District’s investments are categorized to give an indication of the level of risk assumed by the District’s investments, as noted above consist of bank certificates of deposit.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Ratings</u>	<u>Fair Value</u>	<u>Percentage</u>
TexPool Investment Pool	23 days average	AAA-m	\$ 275,100	35%
Bank Time Deposits	Less than 12 Months	NA	506,414	65%
			<u>\$ 781,514</u>	<u>100%</u>

SALADO PUBLIC LIBRARY DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2023

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality.

b. 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 government, and are held by either the counterparty or the counterparty's trust department or agency but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District investments representing more than 5% of total investments are disclosed above.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

SALADO PUBLIC LIBRARY DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2023

C. Capital Assets

Capital asset activity for the period ended August 31, 2023 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 273,000	\$ -	\$ -	\$ 273,000
Capital assets being depreciated:				
Buildings and Improvements	1,170,340	-	-	1,170,340
Furniture and Fixtures	201,566	-	-	201,566
Land Improvements	17,410	-	-	17,410
Total capital assets being depreciated	<u>1,389,316</u>	<u>-</u>	<u>-</u>	<u>1,389,316</u>
Less accumulated depreciation	<u>(482,694)</u>	<u>(39,691)</u>	<u>-</u>	<u>(522,385)</u>
Total capital assets being depreciated, net	<u>906,622</u>	<u>(39,691)</u>	<u>-</u>	<u>866,931</u>
Governmental Activities capital assets, net	<u>\$ 1,179,622</u>	<u>\$ (39,691)</u>	<u>\$ -</u>	<u>\$ 1,139,931</u>

Depreciation was charged to functions as follows:

General Government	\$ -
Library	<u>39,691</u>
	<u>\$ 39,691</u>

D. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

SALADO PUBLIC LIBRARY DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2023

E. Retirement Plan

The District offers its employees a Simple IRA Plan. The District matches employee contributions up to a maximum of 3% of gross compensation. During the year, the District contributed \$7,342 to the plan.

F. Subsequent Events

Management has evaluated subsequent events as of December 11, 2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not consider a part of the basic financial statements.

SALADO PUBLIC LIBRARY DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended August 31, 2023

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Sales Tax	\$ 543,348	\$ 543,348	\$ 673,329	\$ 129,981
Total Taxes	543,348	543,348	673,329	129,981
Charges for Program Services:				
Services and Fees	23,040	23,040	10,630	(12,410)
Total Fines, Forfeitures and Costs	23,040	23,040	10,630	(12,410)
Investment Income:				
Investment Income	500	500	18,411	17,911
Other Revenues:				
Donations	1,000	1,000	2,000	1,000
Grants	50	50	-	(50)
Miscellaneous	4,500	4,500	7,869	3,369
Total Other Revenue	5,550	5,550	9,869	4,319
TOTAL REVENUES	572,438	572,438	712,239	139,801
EXPENDITURES				
General Government:				
Election Expenses	3,500	-	-	-
Professional Services	11,750	11,750	12,865	(1,115)
Total General Government	15,250	11,750	12,865	(1,115)
Library:				
Payroll and Benefits	345,000	345,000	302,120	42,880
Collection Materials	39,600	39,600	45,894	(6,294)
Computer and automation	42,500	42,500	28,632	13,868
Grant Expense	-	-	-	-
Facilities Maintenance and Supplies	29,522	29,522	35,364	(5,842)
Utilities	21,890	21,890	19,063	2,827
Repairs and Maintenance	20,000	20,000	14,985	5,015
General Administrative Expenses	13,000	13,000	17,722	(4,722)
Insurance	6,700	6,700	7,792	(1,092)
Training and Travel	8,900	8,900	7,053	1,847
Public Relations	11,000	11,000	6,556	4,444
Library Program Services	2,500	2,500	3,869	(1,369)
Anniversary Event	-	3,500	1,265	2,235
Miscellaneous	1,000	1,000	759	241
	541,612	545,112	491,074	54,038
Capital Outlay:				
Other	-	-	-	-
TOTAL EXPENDITURES	556,862	556,862	503,939	52,923
Excess Revenues Over (Under) Expenditures	15,576	15,576	208,300	192,724
Fund Balance - Beginning of Year	740,133	740,133	740,133	-
Fund Balance - End of Year	\$ 755,709	\$ 755,709	\$ 948,433	\$ 192,724

The accompanying notes are an integral part of this statement.