


# ANNUAL FINANCIAL REPORT

# FOR THE YEAR ENDED AUGUST 31, 2026

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SMITHVILLE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
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CERTIFICATE OF BOARD

| Smithville Independent School District | Bastrop | 011-904 |
|---|---|---|
| Name of School District | County | 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 August 31, 2026, at a meeting of the board of trustees of such school district on the _____ day of _____,_____.

_____ Signature of Board Secretary

_____ Signature of Board President

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Smithville Independent School District
Smithville, Texas

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Smithville Independent School District, as of and for the year ended August 31, 2026, and the related notes to the financial statements, which collectively comprise Smithville Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Smithville Independent School District, as of August 31, 2026, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Smithville 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***

Smithville Independent School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Smithville 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.

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***Auditor's Responsibility 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 GAAS 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 GAAS 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 Smithville 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 Smithville 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 required supplementary information (as listed in the table of contents) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Smithville Independent School District's basic financial statements. The supplementary information (as listed in the table of contents) and schedule of expenditures of federal awards (SEFA) as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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.

The supplementary information and SEFA are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and SEFA are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information (as listed in the table of contents) does not include the financial statements and our auditor's report thereon. Our opinions on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 November 13, 2026 on our consideration of Smithville 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Smithville Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.
November 13, 2026

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This section of Smithville Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal period ended August 31, 2026. Please read it in conjunction with the Independent Auditor's Report, which precedes this Analysis and the District's financial statements, which follow this section.

If you have questions about this report or need additional financial information, we invite you to contact the District's Finance Office, 901 N.E. 6th Street, Smithville, Texas 78957.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.

- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

### Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the district's assets and liabilities. All of the current period's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities is one way to measure the District's financial health or position.

- Viewed over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the Governmental activities. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

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**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—All of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at period-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *Fiduciary fund*—Student activity funds are held by the district for the benefit of the various student groups. The custodial fund segregates those funds from the rest of the District's operations.

The next section of this financial report contains notes to the financial statements, which delve deeper into the District's finances as reported in the financial statements. The information in the notes is as important to understanding the District's finances as the information in the financial statements. The District uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

**TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS**

All of the District's financial statements, except for the governmental fund financial statements, use the economic resources measurement focus and accrual basis of accounting. In other words, they comprehensively report all types of financial statement elements:

- *Assets* – resources the District controls, from short-term assets like cash to long-term assets like buildings and equipment.

- *Liabilities* – amounts the District owes, from short-term liabilities such as salaries payable to long-term liabilities such as outstanding debt and net amounts owed to employees for pensions.

- *Deferred outflows of resources and deferred inflows of resources* – flows that occurred during the year, or in the prior years, that will not be reported as expenses and revenues until the future year to which they are related.

- *Revenues and expenses* – inflows and outflows of economic resources, respectively, related to the current year.

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Governmental fund financial statements use the current financial resources measurement focus and modified accrual basis of accounting to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on the construction of a District building.

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements, the summary of significant accounting policies, beginning on page 20.

**ANALYSIS OF THE DISTRICT'S FINANCES**

**Table A-1**
Smithville Independent School District's Net Position

| | Governmental Activities | | Percentage |
|---|---|---|---|
| | 8/31/26 | 8/31/25 | Change |
| *Assets:* | | | |
| Cash and Investments | $ 15,066,627 | $ 13,080,799 | 15.2% |
| Other Current Assets | 1,914,368 | 2,683,653 | -28.7% |
| Property and Equipment (net) | 34,150,969 | 35,544,042 | -3.9% |
| *Total Assets* | 51,131,964 | 51,308,494 | -0.3% |
| *Deferred Outflows* | 2,665,081 | 2,694,673 | -1.1% |
| *Liabilities* | | | |
| Current Liabilities | 1,574,891 | 1,513,703 | 4.0% |
| Long-term Liabilities | 39,589,527 | 43,069,266 | -8.1% |
| *Total Liabilities* | 41,164,418 | 44,582,969 | -7.7% |
| *Deferred Inflows* | 4,350,786 | 4,199,201 | 3.6% |
| *Net Position:* | | | |
| Net Investment in Capital Assets | 3,331,570 | 2,030,987 | 64.0% |
| Restricted | 2,199,567 | 2,172,951 | 1.2% |
| Unrestricted | 2,750,704 | 1,017,059 | 170.5% |
| *Total Net Position* | $ 8,281,841 | $ 5,220,997 | 58.6% |

Table A-1 shows that as of August 31, 2026, the District's total net position was $8.3 million, an increase of $3.1 million compared to 2025. Most of the increase was the result of financial performance of the governmental activities as seen in Table A-2 below.

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**Table A-2**
Changes in Smithville Independent School District's Net Position

| | Governmental Activities | | Percentage |
|---|---|---|---|
| | 2026 | 2025 | Change |
| *Program Revenues:* | | | |
| Charges for Services | $ 719,313 | $ 692,861 | 3.8% |
| Operating Grants & Contributions | 3,632,461 | 2,971,848 | 22.2% |
| *General Revenues:* | | | |
| Property Taxes | 13,970,951 | 14,519,265 | -3.8% |
| General Grants | 11,410,135 | 7,776,394 | 46.7% |
| Investment Earnings | 742,637 | 766,925 | -3.2% |
| Miscellaneous | 668,592 | 1,029,079 | -35.0% |
| *Total Revenues* | 31,144,089 | 27,756,372 | 12.2% |
| | | | |
| *Expenses:* | | | |
| Instruction | 13,662,723 | 12,334,405 | 10.8% |
| Instructional Resources & Media | 223,794 | 268,609 | -16.7% |
| Curriculum & Staff Development | 402,901 | 410,342 | -1.8% |
| Instructional Leadership | 437,135 | 409,187 | 6.8% |
| School Leadership | 1,055,765 | 1,008,648 | 4.7% |
| Guidance, Counseling, Evaluation | 1,003,106 | 865,749 | 15.9% |
| Social Work Services | 37,635 | 29,968 | 25.6% |
| Health Services | 235,737 | 240,183 | -1.9% |
| Student Transportation | 1,304,089 | 1,162,985 | 12.1% |
| Food Service | 1,258,962 | 1,422,561 | -11.5% |
| Extracurricular Activities | 1,753,390 | 1,541,546 | 13.7% |
| General Administration | 1,066,840 | 897,170 | 18.9% |
| Plant Maintenance & Operations | 2,883,637 | 2,747,450 | 5.0% |
| Security Services | 616,713 | 437,804 | 40.9% |
| Data Processing Services | 621,257 | 532,476 | 16.7% |
| Community Services | 156,272 | 127,325 | 22.7% |
| Interest on Long-Term Debt | 1,033,341 | 1,178,365 | -12.3% |
| Payments to Fiscal Agent | 85,326 | 37,032 | 130.4% |
| Other Intergovernmental Charges | 244,622 | 252,330 | -3.1% |
| *Total Expenses* | 28,083,245 | 25,904,135 | 8.4% |
| | | | |
| *Increase (Decrease) in Net Position* | 3,060,844 | 1,852,237 | |
| | | | |
| *Beginning Net Position* | 5,220,997 | 3,368,760 | |
| *Ending Net Position* | $ 8,281,841 | $ 5,220,997 | |

**Governmental Activities**

Table A-2 shows that revenues continued to exceed expenses in the current year, resulting in an increase in net position. Various reasons contributed to this increase, however the primary factors affecting the change in net position are as follows:

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(1) Decrease in property taxes
(2) Increase in general grants based on State's formula
(3) Increase in instruction costs for teacher raises authorized by the State

***Decrease in Property Taxes and Increase in General Grants***

The decrease in property taxes came primarily from unusually high collections in the previous year of delinquent tax years. Collections in the year of levy continue to be strong at approximately 96%.

The above decrease in property taxes was more than offset by the increase of approximately $4.5 million in Foundation School Program funds (FSP) from the Texas Education Agency (TEA) which is included in General Grants. The FSP is the primary source of state funding for Texas school districts, ensures all districts – regardless of property wealth – receive substantially equal access to similar revenue per student at similar tax effort. To determine the District's allocation for 2026, TEA considered the number and types of students, district size and geographic factors including local taxable property values and tax rates. Additionally state funding for Existing Debt Allotment (EDA) increased $214 thousand from prior year due to the state's formulas for held harmless amounts for additional state aid for homestead exemption (ASAHE).

***Increase in Instruction Costs***

Instruction costs increased by approximately $1.3 million from 2025 even after a slight reduction of total full time equivalents for instructional staff. This increase was due to $728 thousand in teacher retention allotments, $244 thousand in teacher incentive allotments, as well as other various instructional expenses.

**Governmental Funds**

The District reports two major funds individually in the governmental fund financial statements which includes the General Fund and Debt Service Fund. Most of the discussion regarding governmental activities is equally applicable to the finances of those governmental funds. However, certain factors that are relevant to the District's current financial health are more apparent in the fund financial statements than in the government-wide financial statements.

***General Fund***

The fund balance increased $1.1 million from 2025. The tax rate for maintenance and operations remained unchanged from the prior year. However, collections were down due to higher than usual collections of delinquent taxes in the prior year. Additionally, the Chapter 313 payment from Big Star Solar, LLC. was less in the current year by $395 thousand. Despite these declines, the previously discussed increase in state funding allowed the District to still increase fund balance even though expenditures also increased approximately $2.3 million or 10.7% from 2025. Even though the District's final budget anticipated a reduction of fund balance, positive variances in both revenues and expenditures ultimately resulted in an increase in fund balance for the year ended August 31, 2026.

***Debt Service Fund***

The fund balance decreased $83 thousand from 2025 due to payment on newly issued refunding bonds that resulted in principal payments of $1.3 million more than originally planned at the beginning of the year. The tax rate for interest and sinking funds is based directly on the District's long term obligations to ultimately have minimal change in fund balance.

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## SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

### Capital Assets

At August 31, 2026, the District had invested $72.4 million in a broad range of capital assets, including land, equipment, vehicles and buildings. Additions for the 2026 school year included a new bus and suburban as well as a significant HVAC replacement project for multiple units in the District. After depreciation, the book value of these assets at August 31, 2026 was $34.2 million. More detailed information about the District's debt is presented in the notes to the financial statements.

### Long Term Debt

At year-end the District owed $30.8 million for outstanding bonds and notes payable (including unamortized premiums). The District issued Series 2026 Refunding Bonds during the current year to reduce future obligations on the Series 2017 Revenue Bonds. More detailed information about the District's debt is presented in the notes to the financial statements.

## CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The District's elected and appointed officials considered many factors when setting the fiscal year 2027 budget and tax rates. The major factors are the property appraised values and enrollment. These indicators were taken into account when adopting the General Fund budget for 2027.

Amounts available for appropriation in the General Fund budget are $23.8 million and expenditures including transfers to other funds are estimated to be $24.1 million reducing fund balance by $229 thousand. The approved property tax rate for Maintenance & Operations declined from 2026 by $0.0239 per $100 valuation, and the Interest & Sinking portion of the approved tax rate remained unchanged from 2026. Enrollment for the 2027 school year is estimated to be 1,860 students.

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BASIC FINANCIAL STATEMENTS

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**EXHIBIT A-1**

SMITHVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2026

| Data Control Codes | | 1 Governmental Activities |
|---|---|---|
| | ***ASSETS:*** | |
| 1110 | Cash and Cash Equivalents | $ 4,175,401 |
| 1120 | Current Investments | 10,891,226 |
| 1225 | Property Taxes Receivable (Net) | 978,557 |
| 1240 | Due from Other Governments | 818,085 |
| 1290 | Other Receivables | 81,241 |
| 1300 | Inventories | 36,485 |
| | *Capital Assets:* | |
| 1510 | Land | 856,905 |
| 1520 | Buildings and Improvements, Net | 32,558,839 |
| 1531 | Vehicles, Net | 482,198 |
| 1539 | Furniture and Equipment, Net | 137,967 |
| 1559 | Right of Use Assets, Net | 115,060 |
| 1000 | ***TOTAL ASSETS:*** | 51,131,964 |
| | ***DEFERRED OUTFLOW OF RESOURCES:*** | |
| | Deferred Pension Related Outflows | 1,522,524 |
| | Deferred OPEB Related Outflows | 1,142,557 |
| 1700 | ***TOTAL DEFERRED OUTFLOWS:*** | 2,665,081 |
| | ***LIABILITIES:*** | |
| 2110 | Accounts Payable | 288,823 |
| 2140 | Interest Payable | 49,926 |
| 2150 | Payroll Deductions & Withholding | 15,137 |
| 2160 | Accrued Wages | 1,191,609 |
| 2200 | Accrued Expenses | 26,396 |
| 2300 | Unearned Revenue | 3,000 |
| | *Noncurrent Liabilities:* | |
| 2501 | Due Within One Year | 2,542,963 |
| 2502 | Due in More Than One Year | 29,136,477 |
| 2540 | Net Pension Liability | 5,031,863 |
| 2545 | Net OPEB Liability | 2,878,224 |
| 2000 | ***TOTAL LIABILITIES:*** | 41,164,418 |
| | ***DEFERRED INFLOW OF RESOURCES:*** | |
| | Deferred Pension Related Inflows | 649,565 |
| | Deferred OPEB Related Inflows | 3,701,221 |
| 2600 | ***TOTAL DEFERRED INFLOWS:*** | 4,350,786 |
| | ***NET POSITION:*** | |
| 3200 | Net Investment in Capital Assets | 3,331,570 |
| | Restricted For: | |
| 3850 | Debt Service | 1,923,128 |
| 3820 | State and Federal Grant Restrictions | 50,745 |
| 3890 | Other Restrictions | 225,694 |
| 3900 | Unrestricted | 2,750,704 |
| 3000 | ***TOTAL NET POSITION:*** | $ 8,281,841 |

The accompanying notes are an integral part of this statement

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**EXHIBIT B-1**

SMITHVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2026

| Data Control Codes | Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Changes in Net Position: Governmental Activities |
|---|---|---|---|---|---|
| | ***GOVERNMENTAL ACTIVITIES:*** | | | | |
| 11 | Instruction | $ 13,662,723 | $ - | $ 578,877 | $ (13,083,846) |
| 12 | Instructional Resources and Media Services | 223,794 | - | - | (223,794) |
| 13 | Curriculum and Staff Development | 402,901 | - | 142,389 | (260,512) |
| 21 | Instructional Leadership | 437,135 | - | 38,788 | (398,347) |
| 23 | School Leadership | 1,055,765 | - | 3,405 | (1,052,360) |
| 31 | Guidance, Counseling, & Evaluation Services | 1,003,106 | - | 157,662 | (845,444) |
| 32 | Social Work Services | 37,635 | - | - | (37,635) |
| 33 | Health Services | 235,737 | - | 38,974 | (196,763) |
| 34 | Student transportation | 1,304,089 | - | - | (1,304,089) |
| 35 | Food Services | 1,258,962 | 351,375 | 1,659,948 | 752,361 |
| 36 | Cocurricular/Extracurricular Activities | 1,753,390 | 367,938 | 161,020 | (1,224,432) |
| 41 | General Administration | 1,066,840 | - | - | (1,066,840) |
| 51 | Plant Maintenance and Operations | 2,883,637 | - | 24,995 | (2,858,642) |
| 52 | Security and Monitoring Services | 616,713 | - | 227,268 | (389,445) |
| 53 | Data Processing Services | 621,257 | - | - | (621,257) |
| 61 | Community Services | 156,272 | - | - | (156,272) |
| 72 | Interest on Long-Term Debt | 1,033,341 | - | 572,988 | (460,353) |
| 93 | Payments to Fiscal Agent | 85,326 | - | 26,147 | (59,179) |
| 99 | Other Intergovernmental Charges | 244,622 | - | - | (244,622) |
| TG | Total Governmental Activities | 28,083,245 | 719,313 | 3,632,461 | (23,731,471) |
| TP | *Total Primary Government* | $ 28,083,245 | $ 719,313 | $ 3,632,461 | (23,731,471) |
| | *General Revenues:* | | | | |
| MT | Property Taxes, Levied for General Purposes | | | | 11,067,397 |
| DT | Property Taxes, Levied for Debt Service | | | | 2,903,554 |
| GC | Grants and Contributions Not Restricted to Specific Progra | | | | 11,410,135 |
| IE | Investment Earnings | | | | 742,637 |
| MI | Miscellaneous | | | | 668,592 |
| TR | Total General Revenues | | | | 26,792,315 |
| CN | Change in Net Position | | | | 3,060,844 |
| NB | Net Position - Beginning | | | | 5,220,997 |
| NE | Net Position - Ending | | | | $ 8,281,841 |

Draft

The accompanying notes are an integral part of this statement

**EXHIBIT C-1**

SMITHVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
AUGUST 31, 2026

| Data Control Codes | | 10 General Fund | 50 Debt Service Fund | Other Nonmajor Governmental Funds | 98 Total Governmental Funds |
|---|---|---|---|---|---|
| | ***ASSETS*** | | | | |
| 1110 | Cash and Cash Equivalents | $ 3,408,581 | $ 530,804 | $ 236,016 | $ 4,175,401 |
| 1120 | Current Investments | 9,881,147 | 944,999 | 65,080 | 10,891,226 |
| 1225 | Taxes Receivable, Net | 798,751 | 179,806 | - | 978,557 |
| 1240 | Due from Other Governments | 153,984 | 317,445 | 346,656 | 818,085 |
| 1260 | Due from Other Funds | 273,673 | - | - | 273,673 |
| 1290 | Other Receivables | 71,671 | - | 9,570 | 81,241 |
| 1300 | Inventories | 36,485 | - | - | 36,485 |
| 1000 | ***TOTAL ASSETS:*** | $ 14,624,292 | $ 1,973,054 | $ 657,322 | $ 17,254,668 |
| | ***LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:*** | | | | |
| | *LIABILITIES:* | | | | |
| 2110 | Accounts Payable | $ 230,031 | $ - | $ 58,792 | $ 288,823 |
| 2150 | Payroll Deductions & Withholding | 15,137 | - | - | 15,137 |
| 2160 | Accrued Wages Payable | 1,147,104 | - | 44,505 | 1,191,609 |
| 2170 | Due to Other Funds | - | - | 273,673 | 273,673 |
| 2200 | Accrued Expenditures | 25,483 | - | 913 | 26,396 |
| 2300 | Unearned Revenue | - | - | 3,000 | 3,000 |
| 2000 | *TOTAL LIABILITIES:* | 1,417,755 | - | 380,883 | 1,798,638 |
| | *DEFERRED INFLOWS OF RESOURCES:* | | | | |
| 2600 | Unavailable Property Tax Revenue | 798,751 | 179,806 | - | 978,557 |
| 2600 | *TOTAL DEFERRED INFLOWS:* | 798,751 | 179,806 | - | 978,557 |
| | *FUND BALANCES:* | | | | |
| | *Nonspendable:* | | | | |
| 3410 | Inventories | 36,485 | - | - | 36,485 |
| | *Restricted:* | | | | |
| 3450 | State and Federal Restrictions | - | - | 50,745 | 50,745 |
| 3480 | Debt Service | - | 1,793,248 | - | 1,793,248 |
| 3490 | Other Restrictions | - | - | 225,694 | 225,694 |
| | *Committed:* | | | | |
| 3545 | Other Commitments | 3,289,788 | - | - | 3,289,788 |
| 3600 | *Unassigned* | 9,081,513 | - | - | 9,081,513 |
| 3000 | *TOTAL FUND BALANCES:* | 12,407,786 | 1,793,248 | 276,439 | 14,477,473 |
| 4000 | ***TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES*** | $ 14,624,292 | $ 1,973,054 | $ 657,322 | $ 17,254,668 |

Draft

The accompanying notes are an integral part of this statement.

**EXHIBIT C-1R**

SMITHVILLE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
AUGUST 31, 2026

| | | |
|---|---|---|
| **TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS** | | $ 14,477,473 |
| Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because: | | |
| Capital Assets used in governmental activities are not financial resources and therefore, are not reported in the funds. | | 34,150,969 |
| Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds. | | 978,557 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, not reported in the funds. | | (31,679,440) |
| Net pension liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds. | | |
| Net Pension Liability | (5,031,863) | |
| Pension Related Deferred Inflows | (649,565) | |
| Pension Related Deferred Outflows | 1,522,524 | |
| Net OPEB Liability | (2,878,224) | |
| OPEB Related Deferred Inflows | (3,701,221) | |
| OPEB Related Deferred Outflows | 1,142,557 | (9,595,792) |
| Accrued interest payable on long-term bonds is not due and payable in the current period, and therefore, not reported in the funds. | | (49,926) |
| **TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** | | $ 8,281,841 |

Draft

The accompanying notes are an integral part of this statement.

**EXHIBIT C-2**

SMITHVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2026

| Data Control Codes | Functions/Programs | 10 General Fund | 50 Debt Service Fund | Other Nonmajor Governmental Funds | 98 Total Governmental Funds |
|---|---|---|---|---|---|
| | ***REVENUES:*** | | | | |
| 5700 | Local and Intermediate Sources | $ 12,271,134 | $ 3,026,464 | $ 705,846 | $ 16,003,444 |
| 5800 | State Program Revenues | 12,126,823 | 572,988 | 683,156 | 13,382,967 |
| 5900 | Federal Program Revenues | 90,814 | - | 2,357,846 | 2,448,660 |
| 5020 | *Total Revenues* | 24,488,771 | 3,599,452 | 3,746,848 | 31,835,071 |
| | ***EXPENDITURES:*** | | | | |
| 0011 | Instruction | 12,091,206 | - | 1,020,055 | 13,111,261 |
| 0012 | Instructional Resources and Media Services | 223,794 | - | - | 223,794 |
| 0013 | Curriculum and Staff Development | 204,138 | - | 250,908 | 455,046 |
| 0021 | Instructional Leadership | 408,173 | - | 68,350 | 476,523 |
| 0023 | School Leadership | 1,122,434 | - | 6,000 | 1,128,434 |
| 0031 | Guidance, Counseling, & Evaluation Services | 827,182 | - | 277,820 | 1,105,002 |
| 0032 | Social Work Services | 37,635 | - | - | 37,635 |
| 0033 | Health Services | 235,737 | - | - | 235,737 |
| 0034 | Student Transportation | 1,260,700 | - | - | 1,260,700 |
| 0035 | Food Service | - | - | 1,253,008 | 1,253,008 |
| 0036 | Cocurricular/Extracurricular Activities | 1,163,418 | - | 283,738 | 1,447,156 |
| 0041 | General Administration | 1,111,547 | - | - | 1,111,547 |
| 0051 | Plant Maintenance and Operations | 3,328,432 | - | 44,045 | 3,372,477 |
| 0052 | Security and Monitoring Services | 275,086 | - | 400,476 | 675,562 |
| 0053 | Data Processing Services | 618,827 | - | - | 618,827 |
| 0061 | Community Services | 156,272 | - | - | 156,272 |
| 0071 | Principal on Long-Term Debt | 39,540 | 2,400,000 | - | 2,439,540 |
| 0072 | Interest on Long-Term Debt | 10,715 | 1,165,200 | - | 1,175,915 |
| 0073 | Bond Issuance Costs and Fees | - | 113,279 | - | 113,279 |
| 0093 | Payments to Fiscal Agent | 39,252 | - | 46,074 | 85,326 |
| 0099 | Other Intergovernmental Charges | 244,622 | - | - | 244,622 |
| 6030 | *Total Expenditures* | 23,398,710 | 3,678,479 | 3,650,474 | 30,727,663 |
| 1100 | **Excess (Deficiency) of Revenues Over (Under) Expenditures** | 1,090,061 | (79,027) | 96,374 | 1,107,408 |
| | **Other Financing Sources and (Uses)** | | | | |
| 7911 | Issuance of Bonds | - | 3,240,000 | - | 3,240,000 |
| 7916 | Premiums on Issuance of Debt | - | 60,829 | - | 60,829 |
| 8949 | Payment to Refunding Escrow Agent | - | (3,304,800) | - | (3,304,800) |
| 7080 | *Total Other Financing Sources and (Uses)* | - | (3,971) | - | (3,971) |
| 1200 | Net Change in Fund Balances | 1,090,061 | (82,998) | 96,374 | 1,103,437 |
| 0100 | Fund Balances - Beginning | 11,317,725 | 1,876,246 | 180,065 | 13,374,036 |
| 3000 | Fund Balances - Ending | $ 12,407,786 | $ 1,793,248 | $ 276,439 | $ 14,477,473 |

The accompanying notes are an integral part of this statement.

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**EXHIBIT C-3**

SMITHVILLE INDEPENDENT SCHOOL 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, 2026

| | | |
|---|---|---|
| **NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** | | $ 1,103,437 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report capital outlay as expenditures. However in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | | |
| Capital Outlay | $ 914,378 | |
| Depreciation | (2,307,451) | (1,393,073) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. This is the net change in those revenues over the year. | | 46,209 |
| The issuance of long-term debt (e.g. bonds & notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. | | |
| Proceeds from New Debt | (3,240,000) | |
| Premiums on Bond Issuance | (60,829) | |
| Principal Payment on Bonds | 2,439,540 | |
| Payment to Refunding Escrow Agent | 3,304,800 | 2,443,511 |
| Governmental funds report required contributions to employee pensions and other post-employment benefits as expenditures. However in the Statement of Activities the cost of the benefits is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined expense. | | |
| Pension | 124,028 | |
| Retiree Insurance (OPEB) | 568,224 | 692,252 |
| Some expenses reported in the Statement of Activities (including accreted and accrued interest expense) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. | | |
| Change in Compensated Absences | (87,345) | |
| Change in Accrued Interest | (59,091) | |
| Amortization of Refunding Losses | (12,345) | |
| Amortization of Bond Premiums | 327,289 | 168,508 |
| **CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES** | | $ 3,060,844 |

The accompanying notes are an integral part of this statement.



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**EXHIBIT E-1**

SMITHVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AUGUST 31, 2026

| | | Custodial Funds |
|---|---|---|
| | ***ASSETS:*** | |
| 1110 | Cash and Cash Equivalents | $ 94,114 |
| 1120 | Current Investments | 42,354 |
| 1000 | *Total Assets* | 136,468 |
| | ***LIABILITIES:*** | |
| | *Current Liabilities* | |
| 2110 | Accounts Payable | $ 918 |
| 2000 | *Total Liabilities* | 918 |
| | ***NET POSITION:*** | |
| 3000 | *Total Net Position* | $ 135,550 |

Draft

The accompanying notes are an integral part of this statement.

**EXHIBIT E-2**

SMITHVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2026

| | Custodial Funds |
|---|---|
| **Additions:** | |
| Contributions | $ 122,564 |
| Total Additions | 122,564 |
| | |
| **Deductions:** | |
| Supplies | 85,642 |
| Total Deductions | 85,642 |
| | |
| **Change in Net Position** | 36,922 |
| | |
| Total Net Position - Beginning | 98,628 |
| Total Net Position - Ending | $ 135,550 |

Draft

The accompanying notes are an integral part of this statement.

## A. Summary of Significant Accounting Policies

The basic financial statements of Smithville Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

### 1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "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 Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations are made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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.

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 funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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A. Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting (Continued)

a. Basis of Presentation (Continued)

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.

Debt Service Fund: This fund is used to account for all funds collected and disbursed for the retirement of governmental debt.

Additionally, the District reports the following nonmajor fund types:

Special Revenue Fund: This fund is used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District accounts for each federal and state grant in a separate special revenue fund.

Fiduciary Funds: These funds hold resources for others for which the District is a custodian. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District reports custodial funds for the District's student activity funds and scholarship trust funds as fiduciary funds.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and using the economic resources measurement focus. The government-wide 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 period for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal period in which all eligibility requirements have been satisfied.

Draft

A. Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting (Continued)

b. Measurement Focus, Basis of Accounting (Continued)

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 period-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property 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.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. For the District, this includes local government investment pools and money market funds.

b. Investments

The District reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool maintains a consistent net asset value per share that approximates the fair value of the underlying securities. These investments are reported at net asset value.

Draft

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

c. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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 period following the period in which imposed. On January 1 of each period, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables 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. Taxes Receivable in the governmental funds are stated net of allowance for uncollectible tax receivables in the amount of $238,588 and $53,708 for the General and Debt Service Funds, respectively.

d. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

e. 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 period end.

f. Deferred Inflows and Outflows of Resources

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

Draft

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

g. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

| Asset Class | Estimated Useful Lives |
|---|---|
| Buildings and Improvements | 30 years |
| Vehicles and Equipment | 5 years |
| Right of Use Assets | 5 years |

h. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line on the government-wide statement of net position.

i. Pensions

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) and additions to/ deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Draft

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

j. Other Post-Employment Benefits

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 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'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.

k. Compensated Absences

The District's policies provide for accumulation of local and state personal days that carry over each year. Local days may be paid upon retirement if certain requirements are met at a rate set by the Board of Trustees per day for a maximum of 30 days. Compensated absences are recorded as a liability at the government-wide level based on an estimate of leave that has been earned that is more likely than not to be taken as time off or paid on separation. The District has estimated the liability with the first in first out flows assumption for the use of accrued leave.

l. Leases and Subscription Based IT Arrangements

At the commencement of a lease or arrangement, the District initially measures the liability at the present value of payments expected to be made during the term. Subsequently, the liability is reduced by the principal portion of payments made. The right of use asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the asset is amortized on a straight-line basis over its useful life. The District recognizes lease liabilities and arrangements for items with a term greater than 12 months and with an initial, individual value of $100,000 or more.

The District monitors changes in circumstances that would require a remeasurement of its lease or arrangement and will remeasure the lease or arrangement asset and liability if certain changes occur that are expected to significantly affect the amount of the lease or arrangement liability. Lease or arrangement assets are reported with other capital assets and lease or arrangement liabilities are reported with long-term liabilities on the statement of net position.

m. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

Draft

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

n. Use of Estimates

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

o. Net Position - Government-wide Statement of Net Position

Net position is classified as follows:

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

Net Investment in Capital Assets - represents the balances of capital assets less the outstanding balances of debt related to the acquisition of the capital assets. This amount is separated from unrestricted net position so that the unrestricted classification represents net position more readily available to fund operations.

Unrestricted - Represents the residual net position that is not restricted or capital in nature.

p. 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 Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees 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 Board of Trustees. 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.

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A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

p. Fund Balances - Governmental Funds (Continued)

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 Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Currently, the Superintendent and Business Officer have been delegated the authority to assign balances. 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, conveys 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.

B. Stewardship, Compliance, and Accountability

Annual budgets are adopted on a basis consistent with GAAP. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital projects budgets.

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the General Fund, the National School Lunch and Breakfast Program (special revenue fund), and the Debt Service Fund. Special revenue funds have approved budgets by the funding agency and are amended throughout the year as required.

C. Deposits and Investments

1. Cash Deposits:

The District's funds are required to be deposited and invested under the terms of a depository contract. The District's cash deposits at August 31, 2026 and during the period ended August 31, 2026, were entirely covered by FDIC insurance and securities pledged by the District’s depository.

Draft

C. Deposits and Investments

2. 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 basic 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, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2026 are as follows:

| Investment or Investment Type | Maturity (Days) | Rating | Reported Value | Fair Value |
|---|---|---|---|---|
| *Reported as Current Investments* | | | | |
| Texpool | Demand | AAAm | $ 1,129 | $ 1,129 |
| First Public/Lone Star Investment | Demand | AAAm | 10,890,097 | 10,890,097 |
| Total Investments | | | $ 10,891,226 | $ 10,891,226 |

The District participates in the Texpool Local Government Pool ("Texpool"), an external investment pool. Texpool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over Texpool. Additionally the State Comptroller has established an advisory board comprised of both participants in Texpool and other persons who do not have a business relationship with Texpool. Texpool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The pool seeks to maintain a net asset value of $1.00.

The District participates in the First Public Local Government Pool ("Lone Star"), an external investment pool. A Board of Trustees composed of participants of Lone Star is responsible for the overall management of the pool. The funds are managed by two separate advisors – American Beacon and BNY Mellon. The funds within Lone Star are not registered mutual funds under the Investment Company Act of 1940 and are not available to individual investors. The pool seeks to maintain a net asset value of $1.00.

Draft

C. Deposits and Investments (Continued)

2. Investments (Continued)

The District was not exposed to significant credit, custodial credit, concentration of credit, interest rate or foreign currency risk.

D. Capital Assets

Capital asset activity for the period ended August 31, 2026, was as follows:

| | Beginning Balances | Increases | Decreases/ Transfers | Ending Balances |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| *Capital Assets Not Being Depreciated:* | | | | |
| Land | $ 856,905 | $ - | $ - | $ 856,905 |
| *Total Capital Assets Not Being Depreciated* | 856,905 | - | - | 856,905 |
| *Capital Assets Being Depreciated:* | | | | |
| Buildings and Improvements | 65,048,585 | 642,661 | - | 65,691,246 |
| Vehicles | 3,323,798 | 213,092 | (165,604) | 3,371,286 |
| Equipment | 2,208,788 | 58,625 | - | 2,267,413 |
| Right of Use Assets | 194,753 | - | - | 194,753 |
| *Total Capital Assets Being Depreciated* | 70,775,924 | 914,378 | (165,604) | 71,524,698 |
| *Less Accumulated Depreciation For:* | | | | |
| Buildings and Improvements | (31,347,811) | (1,784,596) | - | (33,132,407) |
| Vehicles | (2,753,941) | (300,751) | 165,604 | (2,889,088) |
| Equipment | (1,945,695) | (183,751) | - | (2,129,446) |
| Right of Use Assets | (41,340) | (38,353) | - | (79,693) |
| *Total Accumulated Depreciation* | (36,088,787) | (2,307,451) | 165,604 | (38,230,634) |
| Total Capital Assets Being Depreciated, Net | 34,687,137 | (1,393,073) | - | 33,294,064 |
| *Governmental Activities Capital Assets, Net* | $ 35,544,042 | $ (1,393,073) | $ - | $ 34,150,969 |

Depreciation was charged to functions as follows:

| | |
|---|---|
| 11 Instruction | $ 1,416,620 |
| 23 School Leadership | 1,399 |
| 34 Student Transportation | 292,829 |
| 35 Food Services | 79,086 |
| 36 Cocurricular/Extracurricular Activities | 361,490 |
| 51 Plant Maintenance and Operations | 109,320 |
| 52 Security and Monitoring | 44,277 |
| 53 Data Processing | 2,430 |
| | $ 2,307,451 |

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E. Interfund Balances and Activities

Balances due to and from other funds at August 31, 2026 consisted of the following:

| Due To Fund | Due From Fund | Amount | Purpose |
|---|---|---|---|
| General Fund | Nonmajor Governmental Funds | $ 273,673 | Short-term pooled cash loans |
| | Total | $ 273,673 | |

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include building, refunding and maintenance bonds. Changes in long-term obligations for the period ended August 31, 2026, are as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances | Amounts Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| *Public Offering* | | | | | |
| 2015 Refunding | $ 680,000 | $ - | $ (680,000) | $ - | $ - |
| 2017 Building | 7,800,000 | - | (3,470,000) | 4,330,000 | 235,000 |
| 2018 Building | 14,005,000 | - | (135,000) | 13,870,000 | 395,000 |
| 2019 Building | 9,030,000 | - | (40,000) | 8,990,000 | 250,000 |
| 2026 Refunding | - | 3,240,000 | (1,315,000) | 1,925,000 | 1,535,000 |
| Unamortized Premiums | 1,812,430 | 60,829 | (327,289) | 1,545,970 | - |
| Lease Liability | 197,969 | - | (39,540) | 158,429 | 41,959 |
| | 33,525,399 | 3,300,829 | (6,006,829) | 30,819,399 | 2,456,959 |
| Compensated Absences | 772,696 | 87,345 | - | 860,041 | 86,004 |
| Net Pension Liability | 5,091,320 | 408,081 | (467,538) | 5,031,863 | - |
| Net OPEB Liability | 3,679,851 | - | (801,627) | 2,878,224 | - |
| *Total Governmental Activities* | $ 43,069,266 | $ 3,796,255 | $ (7,275,994) | $ 39,589,527 | $ 2,542,963 |

The change in compensated absences is a net figure.

Expenditures for the debt service requirements of bonds payable are accounted for in the Debt Service Fund. Expenditures for the debt service requirements of lease liability, net pension liability, and net other post-employment benefit liability are accounted for in the General Fund.

Unlimited Tax School Building Bonds have interest rates of 2.00-5.00%
Unlimited Tax School Refunding Bonds have interest rates of 2.00-4.00%

Draft

F. Long-Term Obligations

1. Long-Term Obligation Activity

During the year ended August 31, 2026, the District issued refunding bonds, Series 2026 in the amount of $3,240,000 to provide resources to purchase U.S. Government securities to be placed in an irrevocable trust for the purpose of generating resources for some of the future debt payments on the Series 2017 bonds. As a result, the refunded portion of the Series 2017 bonds have been removed from the Statement of Net Position and is considered to be defeased. The gross savings on the Series 2026 issuances was $2,175,533 but resulted in a net present value savings of $99,477.

In accordance with Securities and Exchange Act of 1934 Rule 15c2-12, the District has entered into a continuing disclosure agreement with the Municipal Securities Rulemaking Board. The District has complied with these continuing disclosures.

Debt Service requirements on bonded debt at August 31, 2026, are as follows:

| | Public Offering | | |
|---|---|---|---|
| Year Ending August 31, | Principal | Interest | Total |
| 2027 | $ 2,415,000 | $ 1,148,300 | $ 3,563,300 |
| 2028 | 1,145,000 | 1,032,400 | 2,177,400 |
| 2029 | 1,040,000 | 980,200 | 2,020,200 |
| 2030 | 1,090,000 | 933,450 | 2,023,450 |
| 2031 | 1,045,000 | 889,000 | 1,934,000 |
| 2032-2036 | 5,895,000 | 3,782,400 | 9,677,400 |
| 2037-2041 | 6,765,000 | 2,509,000 | 9,274,000 |
| 2042-2046 | 6,315,000 | 1,304,950 | 7,619,950 |
| 2047-2049 | 3,405,000 | 205,900 | 3,610,900 |
| Totals | $ 29,115,000 | $ 12,785,600 | $ 41,900,600 |

2. Lease

In February 2025, the District entered into a lease for new copiers totaling $191,766 for 60 months. The District has elected to treat non-lease components (maintenance) as part of the lease. The future cash flows were discounted at a rate of 4.29% and are expected to complete in February 2030.

Future minimum lease payments under the agreement as of August 31, 2026 were as follows:

| Year Ending August 31, | Principal | Interest | Total |
|---|---|---|---|
| 2027 | $ 41,959 | $ 8,296 | $ 50,255 |
| 2028 | 44,525 | 5,730 | 50,255 |
| 2029 | 47,248 | 3,007 | 50,255 |
| 2030 | 24,697 | 430 | 25,127 |
| Totals | $ 158,429 | $ 17,463 | $ 175,892 |

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G. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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 exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.tx.us/pages/about_publications.aspx or by writing to TRS at P.O. Box 149676, Austin, TX, 78714-0185; or by calling (800) 223-8778.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HRJ) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living adjustment (COLA).

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 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 the manner are determined by the System's actuary.

Draft

G. Pension Plan (Continued)

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Employee contribution rates are set in state statute, Texas Government Code 825.402.

| | Contribution Rates Plan fiscal year | | Contributions Required and |
|---|---|---|---|
| | 2025 | 2026 | Made |
| Member (Employee) | 8.25% | 8.25% | $ 1,182,712 |
| Non-employer Contributing Entity (State) | 8.25% | 8.25% | 831,643 |
| Employer | 8.25% | 8.25% | 574,778 |
| | | | $ 2,589,133 |

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is 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 (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the 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 part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local 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% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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G. Pension Plan (Continued)

4. Contributions (Continued)

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- All public schools, charter schools, and regional educational service centers must contribute 2% of the member's salary.

5. Actuarial Assumptions

Effective with the measurement date of August 31, 2025, the salary increase assumption was modified to reflect anticipated changes in future contribution levels resulting from the enactment of House Bill 2 (HB 2) by the 2025 Texas Legislature. Except for the change in salary increase assumption, 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, 2024. For a full description of these assumptions, please see the actuarial valuation report dated November 21, 2024.

The total pension liability in the August 31, 2025 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Valuation Date | August 31, 2024 rolled forward to August 31, 2025 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Fair Value |
| Single Discount Rate | 7.00% |
| Long-term Expected Rate | 7.00% |
| Municipal Bond Rate as of August 31, 2019 | 5.23% Fidelity 20-Year AA Municipal |
| Inflation | 2.30% |
| Salary Increases Including Inflation | 3.20% to 9.20%, including inflation |
| Ad Hoc Post-Employment Benefit Changes | None |

6. Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.00%. 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 session. It is assumed that future employer and state contributions will be 9.54% of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

Draft

G. Pension Plan (Continued)

6. Discount Rate

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all 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. The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates 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 arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2025 are summarized below:

| Asset Class | Target Allocation | Long-Term Expected Portfolio Real Rate of Return | Expected Contribution to Portfolio Return |
|---|---|---|---|
| Global Equity | | | |
| All Country | 39% | 4.14% | 2.18% |
| USA | 0% | 3.85% | 0.00% |
| Non-U.S. Developed | 5% | 4.60% | 0.31% |
| Emerging Markets | 1% | 4.71% | 0.07% |
| Private Equity | 12% | 6.80% | 1.19% |
| Stable Value | | | |
| Government Bonds - Nominal | 10% | 2.59% | 0.33% |
| Government Bonds - Real | 6% | 1.97% | 0.13% |
| Absolute Return | 0% | 3.91% | 0.00% |
| Stable Value Hedge Funds | 5% | 1.68% | 0.09% |
| Real Return | | | |
| Real Estate | 15% | 4.60% | 0.86% |
| Energy and Natural Resources | 6% | 4.86% | 0.36% |
| Commodities | 0% | 2.96% | 0.00% |
| Risk Parity | | | |
| Risk Parity | 5% | 4.38% | 0.26% |
| Asset Allocation Leverage | | | |
| Cash | 2% | 0.51% | 0.01% |
| Asset Allocation Leverage | -6% | 0.81% | -0.05% |
| Inflation Expectation | | | 2.30% |
| Volatility Drag | | | -0.71% |
| Total | 100% | | 7.33% |

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G. Pension Plan (Continued)

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the Net Pension Liability.

| | 1% Decrease (6.00%) | Current Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| District's Proportionate Share of Net Pension Liability | $ 8,109,538 | $ 5,031,863 | $ 2,470,393 |

8. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2026, the District reported a liability of $5,031,863 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|---|---|
| District Proportionate Share | $ 5,031,863 |
| State's Proportionate Share | 8,839,534 |
| | $ 13,871,397 |

The net pension liability was measured as of August 31, 2025 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2024 thru August 31, 2025.

At August 31, 2025, the employer's proportion of the collective net pension liability was 0.0079937% which was a decrease of 0.0003412% from its proportion measured as of August 31, 2024.

There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement date.

For the year ended August 31, 2026, the District recognized pension expense of $1,271,381, which included $820,632 in support provided by the State.

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G. Pension Plan (Continued)

8. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At August 31, 2026, the 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 | $ 301,898 | $ 17,631 |
| Changes in actuarial assumptions | 482,567 | - |
| Difference between projected and actual investment earnings | - | 228,676 |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 163,281 | 403,258 |
| Contributions paid to TRS subsequent to the measurement date | 574,778 | - |
| | $ 1,522,524 | $ 649,565 |

The $574,778 in deferred outflows of resources related to pensions from District contributions after the measurement date will be recognized as a reduction of the net pension liability in the plan year ended August 31, 2026. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending August 31, | Pension Expense Amount |
|---|---|
| 2027 | $ 441,836 |
| 2028 | (3,394) |
| 2029 | (178,880) |
| 2030 | 2,479 |
| 2031 | 36,140 |
| Thereafter | - |
| | $ 298,181 |

H. Other Post-Employment Benefits - Retiree Health Care Plan

1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It 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 TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with 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.

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H. Other Post-Employment Benefits - Retiree Health Care Plan (Continued)

2. OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.state.tx.us/pages/about_publications.aspx, by writing to TRS at P.O. Box 149676, Austin, TX, 78714-0185; or by calling (800) 223-8778.

3. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public and charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee. 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. There are no automatic post-employment benefit changes; including automatic COLAs. The premium rates for retirees are reflected in the following table:

| TRS-Care Monthly for Retirees | | |
|---|---|---|
| | Medicare | Non-medicare |
| Retiree (or Surviving Spouse) | $ 75 | $ 200 |
| Retiree and Spouse | 280 | 689 |
| Retiree and Children | 408 | 408 |
| Retiree and Family | 613 | 999 |

4. 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 made from the state, active employees, and school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than .25% or not more than .75% percent of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

H. Other Post-Employment Benefits - Retiree Health Care Plan (Continued)

4. Contributions (Continued)

| | Contribution Rates Plan fiscal year | | Contributions Required and Made |
|---|---|---|---|
| | 2025 | 2026 | |
| Member (Employee) | 0.65% | 0.65% | $ 93,185 |
| Non-employer contributing agency (State) | 1.25% | 1.25% | 284,970 |
| District | 0.75%-1.25% | 0.75%-1.25% | 122,983 |
| | | | $ 501,138 |

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS-Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS-Care a monthly surcharge of $535 per retiree.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2024. Update procedures were used to roll forward the total OPEB liability to August 31, 2025. The actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Valuation Date | August 31, 2024 rolled forward to August 31, 2025 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.30% |
| Single Discount Rate | 5.23% |
| Aging Factors | Society of Actuaries 2013 Study |
| Expenses | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost. |
| Projected Salary Increases | 3.20% to 9.20%, including inflation |
| Healthcare Trend Rates | 7.35-9.0% decreasing to 4.25% over 14 years |
| Election Rates | Normal Retirement: 62% participation prior to age 65 and 25% after age 65. 30% of pre-65 retirees are assumed to discontinue coverage at age 65 |
| Ad hoc post-employment benefit changes | None |

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H. Other Post-Employment Benefits - Retiree Health Care Plan (Continued)

5. Actuarial Assumptions (Continued)

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. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2024 TRS pension actuarial valuation that was rolled forward to August 31, 2025:

| | | |
|---|---|---|
| Rates of Mortality | General Inflation | Rates of Retirement |
| Wage Inflation | Rates of Termination | Rates of Disability |

The active mortality rates were based on PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the mortality projection scale MP-2021.

6. Discount Rate

A single discount rate of 5.23% was used to measure the total OPEB liability. This was an increase of 1.36% in the discount rate since the previous year.

Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2025 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the Net OPEB Liability.

| | 1% Decrease in Discount Rate (4.23%) | Discount Rate (5.23%) | 1% Increase in Discount Rate (6.23%) |
|---|---|---|---|
| District's Proportionate Share of Net OPEB Liability | $ 3,380,173 | $ 2,878,224 | $ 2,464,583 |

Draft

H. Other Post-Employment Benefits - Retiree Health Care Plan (Continued)

8. Healthcare Cost Trend Sensitivity Analysis

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 1% point lower or 1% point higher than the assumed healthcare cost trend rate.

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| District's Proportionate Share of Net OPEB Liability | $ 2,379,887 | $ 2,878,224 | $ 3,510,966 |

9. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2026, the District reported a liability of $2,878,224 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

| | |
|---|---|
| District Proportionate Share | $ 2,878,224 |
| State's Proportionate Share | 3,818,601 |
| | $ 6,696,825 |

The Net OPEB Liability was measured as of August 31, 2024 and rolled forward to August 31, 2025 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2024 thru August 31, 2025.

At August 31, 2025, the employer's proportion of the collective net OPEB liability was 0.0115465%, which was a decrease of 0.0005776% from its proportion measured as of August 31, 2024.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected the measurement of the total OPEB liability since the prior measurement period:

- The discount rate changed from 3.87% as of August 31, 2024 to 5.23% as of August 31, 2025.
- The salary increase rates were revised to match those used in the pension valuation, and the health care trend rates were reset to reflect the plan's anticipated experience.

Draft

H. Other Post-Employment Benefits - Retiree Health Care Plan (Continued)

9. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)

For the year ended August 31, 2026, the District recognized OPEB expense of $(886,447) including $(441,208) in savings recognized by the State.

At August 31, 2026, the District reported its proportionate share of the TRS's deferred outflows resources and deferred inflows of resources related to OPEBs from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 563,093 | $ 1,714,147 |
| Changes in actuarial assumptions | 355,917 | 1,182,164 |
| Difference between projected and actual investment earnings | - | 17,702 |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 100,564 | 787,208 |
| Contributions paid to TRS subsequent to the measurement date | 122,983 | - |
| | $ 1,142,557 | $ 3,701,221 |

The $122,983 in deferred outflows of resources related to OPEB from District contributions after the measurement date will be recognized as a reduction of the net OPEB liability in the plan year ended August 31, 2026. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

| Year ending August 31, | OPEB Expense Amount |
|---|---|
| 2027 | $ (572,103) |
| 2028 | (589,626) |
| 2029 | (504,615) |
| 2030 | (372,033) |
| 2031 | (316,457) |
| Thereafter | (326,813) |
| | $ (2,681,647) |

I. Medicare Part D Coverage

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2026, 2025 and 2024, the subsidy payments received by TRS-Care on behalf of the District were $114,279, $97,362, and $71,394, respectively.

Draft

J. Employee Health Care Coverage

During the period ended August 31, 2026, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of $425 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement. The contract between the District and the third party administrator is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions. Latest financial statements for the Plan are available for the year ended August 31, 2025, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

K. Workers' Compensation

During the period ended August 31, 2026, the District met its statutory workers' compensation obligations through participation in the Texas Association of School Boards (TASB) Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperative Act, Chapter 791 of the Texas Government Code. The members participating in the Fund execute interlocal agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of $2 million. The Fund uses the services of an independent actuary to determine the reserve adequacy and fully funds those reserves. As of August 31, 2025, the Fund carries a discount reserve of $50,816,828 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2026, the Fund anticipated no additional liability to members beyond their contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial statement 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, 2025 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

L. Unemployment Compensation

During the period ended August 31, 2026, the District provided unemployment compensation coverage to its employees through participation in the Texas Association of School Boards (TASB) Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperative 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 August 31, 2026, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

L. Unemployment Compensation (Continued)

The Fund engages the services of an independent auditor to conduct a financial statement 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, 2025 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

M Risk Management

Property and Liability Program

During the period ended August 31, 2026, the District participated in the following TASB Risk Management Fund (the Fund) programs:

Auto Liability
Auto Physical Damage
Privacy & Information Security
Property
School Liability

The Fund was created and is operated under the provisions of the Interlocal Cooperative Act, Chapter 791 of the Texas Government Code. The members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against any catastrophic and larger than anticipated claim for its Audit, Liability, and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2026, the Fund anticipates that the District has no additional liability beyond their contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial statement 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, 2025 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

N. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired.

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N. Commitments and Contingencies (Continued)

2. Chapter 313 Agreement

On June 21, 2021, Board of Trustees approved a property value limitation agreement with Big Star Solar LLC, under a state program that is specified in Chapter 313 of the Texas Tax Code. The agreement calls for the payment of M&O taxes to be limited to the first $20 million of taxable value for a 10-year period. Any reduction in M&O tax collections or related state aid is offset through the state funding formulas or payments from the company, if needed. The agreement assumes that the project will be constructed and that minimum investment requirements will be met. Based on the data included in the application, the potential revenue protection payment from the company could reach $1.05 million, of which, $345 thousand was received during the 2025-26 school year.

The law also allowed the District to negotiate minimum annual supplemental payments of $171,600 for 14 years, which may be used for any legal purpose.

3. Litigation

The District is subject to various claims through its normal course of business and employment practices. Management and legal counsel are not aware of any pending or threatened litigation against the District that would have a material financial impact on the District.

O. Joint Venture – Shared Services Arrangements

The District participates in a Shared Service Arrangement (SSA) for the Texas Community Learning Program funded under the 21st Century Grant. The District accounts for their portion of revenues and expenditures in this program and they are disclosed in these financial statements. The District does not have a joint ownership interest in capital assets purchased by the fiscal agent, Education Service Center, Region XIII nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

The District participates in a Shared Service Arrangement (SSA) for the Texas Education for Homeless Children and Youth Grant. The District accounts for their portion of revenues and expenditures in this program and they are disclosed in these financial statements. The District does not have a joint ownership interest in capital assets purchased by the fiscal agent, Education Service Center, Region XIII nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

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O. Joint Venture – Shared Services Arrangements (Continued)

The District participates in a Shared Service Arrangement (SSA) for the Migrant Education Program funded under Title I, Part C. The District does not account for their portion of revenues and expenditures in this program and does not disclose them in these financial statements. The District does not have a joint ownership interest in capital assets purchased by the fiscal agent, Education Service Center, Region XIII nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

The District participates in a Shared Service Arrangement (SSA) for the Regional Day School Program for the Deaf. The District does not account for revenues and expenditures of this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Education Service Center, Region XIII, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

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# REQUIRED SUPPLEMENTARY INFORMATION

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

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**EXHIBIT G-1**

SMITHVILLE INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2026

| Data Control Codes | | Budgeted Amounts | | Total Budget Amendments | Actual | Variance with Final Budget |
|---|---|---|---|---|---|---|
| | | Original | Final | | | |
| | **REVENUES** | | | | | |
| 5700 | Local and Intermediate Sources | $ 11,517,316 | $ 12,105,141 | $ 587,825 | $ 12,271,134 | $ 165,993 |
| 5800 | State Program Revenues | 10,742,968 | 10,850,268 | 107,300 | 12,126,823 | 1,276,555 |
| 5900 | Federal Program Revenues | 115,000 | 115,000 | - | 90,814 | (24,186) |
| 5020 | **Total Revenues** | 22,375,284 | 23,070,409 | 695,125 | 24,488,771 | 1,418,362 |
| | **EXPENDITURES** | | | | | |
| 0011 | Instruction | 12,196,750 | 12,270,350 | 73,600 | 12,091,206 | 179,144 |
| 0012 | Instructional Resources and Media Services | 263,735 | 263,735 | - | 223,794 | 39,941 |
| 0013 | Curriculum and Staff Development | 206,420 | 214,420 | 8,000 | 204,138 | 10,282 |
| 0021 | Instructional Leadership | 396,315 | 412,315 | 16,000 | 408,173 | 4,142 |
| 0023 | School Leadership | 1,154,535 | 1,154,535 | - | 1,122,434 | 32,101 |
| 0031 | Guidance, Counseling and Evaluation Services | 697,745 | 837,745 | 140,000 | 827,182 | 10,563 |
| 0032 | Social Work Services | 39,510 | 39,510 | - | 37,635 | 1,875 |
| 0033 | Health Services | 254,275 | 254,275 | - | 235,737 | 18,538 |
| 0034 | Student (Pupil) Transportation | 1,228,125 | 1,363,350 | 135,225 | 1,260,700 | 102,650 |
| 0036 | Cocurricular/Extracurricular Activities | 1,112,205 | 1,167,205 | 55,000 | 1,163,418 | 3,787 |
| 0041 | General Administration | 992,060 | 1,128,689 | 136,629 | 1,111,547 | 17,142 |
| 0051 | Plant Maintenance and Operations | 2,770,975 | 3,400,328 | 629,353 | 3,328,432 | 71,896 |
| 0052 | Security and Monitoring Services | 300,250 | 300,250 | - | 275,086 | 25,164 |
| 0053 | Data Processing Services | 556,610 | 638,610 | 82,000 | 618,827 | 19,783 |
| 0061 | Community Services | 129,795 | 159,795 | 30,000 | 156,272 | 3,523 |
| 0071 | Debt Service | 50,260 | 50,260 | - | 50,255 | 5 |
| 0093 | Payments to Fiscal Agent | 25,000 | 40,000 | 15,000 | 39,252 | 748 |
| 0099 | Other Intergovernmental Charges | 242,350 | 244,650 | 2,300 | 244,622 | 28 |
| 6030 | **Total Expenditures** | 22,616,915 | 23,940,022 | 1,323,107 | 23,398,710 | 541,312 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | (241,631) | (869,613) | (627,982) | 1,090,061 | 1,959,674 |
| | ***OTHER FINANCING SOURCES (USES):*** | | | | | |
| 8911 | Transfers Out | (45,400) | (45,400) | - | - | 45,400 |
| 7080 | *Total Other Financing Sources (Uses)* | (45,400) | (45,400) | - | - | 45,400 |
| 1200 | Net Change in Fund Balance | (287,031) | (915,013) | (627,982) | 1,090,061 | 2,005,074 |
| 0100 | **Fund Balance - Beginning** | 11,317,725 | 11,317,725 | - | 11,317,725 | - |
| 3000 | **Fund Balance - Ending** | $ 11,030,694 | $ 10,402,712 | $ (627,982) | $ 12,407,786 | $ 2,005,074 |

Draft

SMITHVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2026

Budgetary Information - The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The District maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Trustees and as such is a good management control device. The following funds have legally adopted annual budgets: General Fund, National School Breakfast and Lunch Program (Special Revenue), and Debt Service Fund.

Budgetary preparation and control is exercised at the function level. Actual expenditures may not legally exceed appropriations at the fund level.

*Budgetary Amendments*

The District amended its budget six times during the fiscal year. The following functions experienced amendments changing total expenditures more than 10%:

31 Guidance, Counseling and Evaluation Services – Original budget did not anticipate cost associated with ARD facilitator as well as other expenditures.
34 Student (Pupil) Transportation – Original budget did not include purchase of vehicles approved by Board of Trustees.
41 General Administration – Original budget did not anticipate cost associated with property value audit as well as other expenditures.
51 Plant Maintenance and Operations – Original budget did not include cost of HVAC replacements approved by Board of Trustees.
53 Data Processing Services – Original budget was increased to utilize funds received from E-Rate as well as additional expenditures not anticipated in original budget.
61 Community Services – Original budget was increased to account for additional software subscriptions and supplies.
93 Payments to Fiscal Agent – Original budget did not include costs for Bastrop County Boot Camp.

*Variances from Actual Results and Final Budget*

Revenues exceeded the budget by $1.4 million. The District budgets conservatively to ensure resources are available to support the budgeted expenditures.

No functional expenditures exceeded the budget by more than 10%.

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**EXHIBIT G-2**

SMITHVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AUGUST 31, 2026

| Measurement Period Ending August 31, | District's Proportion of Net Pension Liability | District's Proportionate Share of the Net Pension Liability | State's Proportion of Net Pension Liability | Total Net Pension Liability | District's Covered Payroll for the Measurement Period | District's Proportionate Share of the Net Pension Liability as a % of Payroll | Plan Fiducary Net Position As a % of Total Pension Liability |
|---|---|---|---|---|---|---|---|
| 2025 | 0.0079937% | $ 5,031,863 | $ 8,839,534 | $ 13,871,397 | $ 13,251,765 | 37.97% | 78.24% |
| 2024 | 0.0083349% | $ 5,091,320 | $ 8,844,944 | $ 13,936,264 | $ 13,279,567 | 38.34% | 77.51% |
| 2023 | 0.0080983% | $ 5,562,774 | $ 10,168,159 | $ 15,730,933 | $ 12,551,620 | 44.32% | 73.15% |
| 2022 | 0.0089765% | $ 5,329,129 | $ 9,112,731 | $ 14,441,860 | $ 12,466,793 | 42.75% | 75.62% |
| 2021 | 0.0083356% | $ 2,122,771 | $ 4,379,545 | $ 6,502,316 | $ 12,242,812 | 17.34% | 88.79% |
| 2020 | 0.0088500% | $ 4,739,900 | $ 9,225,084 | $ 13,964,984 | $ 12,276,434 | 38.61% | 75.54% |
| 2019 | 0.0093509% | $ 4,860,879 | $ 8,544,754 | $ 13,405,633 | $ 11,411,879 | 42.59% | 75.24% |
| 2018 | 0.0093787% | $ 5,162,253 | $ 9,390,583 | $ 14,552,836 | $ 11,167,561 | 46.23% | 73.74% |
| 2017 | 0.0096660% | $ 3,090,675 | $ 5,529,871 | $ 8,620,546 | $ 10,858,751 | 28.46% | 82.17% |
| 2016 | 0.0093173% | $ 3,520,879 | $ 6,729,180 | $ 10,250,059 | $ 10,572,453 | 33.30% | 78.00% |

Draft

Note: Amounts presented for each fiscal period were determined as of the year ending August 31 of the previous calendar year.

**EXHIBIT G-3**

SMITHVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2026

| Fiscal Year Ending August 31, | Contractually Required Contribution | Contributions Made | Contribution Deficiency (Excess) | District's Covered Payroll | Contributions as a Percent Covered Payroll |
|---|---|---|---|---|---|
| 2026 | $ 574,778 | $ 574,778 | $ - | $ 14,335,901 | 4.01% |
| 2025 | $ 467,538 | $ 467,538 | $ - | $ 13,251,765 | 3.53% |
| 2024 | $ 469,703 | $ 469,703 | $ - | $ 13,279,567 | 3.54% |
| 2023 | $ 416,275 | $ 416,275 | $ - | $ 12,551,620 | 3.32% |
| 2022 | $ 418,871 | $ 418,871 | $ - | $ 12,466,793 | 3.36% |
| 2021 | $ 355,718 | $ 355,718 | $ - | $ 12,242,812 | 2.91% |
| 2020 | $ 362,185 | $ 362,185 | $ - | $ 12,276,434 | 2.95% |
| 2019 | $ 327,292 | $ 327,292 | $ - | $ 11,411,879 | 2.87% |
| 2018 | $ 314,892 | $ 314,892 | $ - | $ 11,167,561 | 2.82% |
| 2017 | $ 316,796 | $ 316,796 | $ - | $ 10,858,751 | 2.92% |

Draft

The following actuarial assumptions were applied for the most recent valuation:

| | |
|---|---|
| Valuation Date | August 31, 2024 rolled forward to August 31, 2025 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Fair Value |
| Single Discount Rate | 7.00% |
| Long-term Expected Rate | 7.00% |
| Municipal Bond Rate as of August 31, 2019 | 5.23% Fidelity 20-Year AA Municipal |
| Inflation | 2.30% |
| Salary Increases Including Inflation | 3.20% to 9.20%, including inflation |
| Ad Hoc Post-Employment Benefit Changes | None |

The following were changes to the actuarial assumptions or other inputs that affected the measurement of the pension liability during the years ending August 31:

| | |
|---|---|
| 2025 | None |
| 2024 | None |
| 2023 | None |
| 2022 | Expected rate of return reduced from 7.25% to 7.00%<br>Municipal bond rate increased from 1.95% to 3.91% |
| 2021 | Municipal bond rate reduced from 2.3% to 1.95% |
| 2020 | Municipal bond rate reduced from 2.6% to 2.3% |
| 2019 | Municipal bond rate reduced from 3.7% to 2.6% |
| 2018 | Inflation rate reduced from 2.5% to 2.3%<br>Expected rate of return reduced from 8% to 7.25%<br>Salary increases reduced from 3.5-9.5% to 3.05-9.05% |
| 2017 | None |
| 2016 | None |

There have been no changes in benefit terms impacting the schedule.

Draft

**EXHIBIT G-4**

SMITHVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
AUGUST 31, 2026

| Measurement Period Ending August 31, | District's Proportion Of Net OPEB Liability | District's Proportionate Share of the Net OPEB Liability | State's Proportion Of Net OPEB Liability | Total Net OPEB Liability | District's Covered Payroll for the Measurement Period | District's Proportionate Share of the Net OPEB Liability as a % of Payroll | Plan Fiducary Net Position As a % of Total OPEB Liability |
|---|---|---|---|---|---|---|---|
| 2025 | 0.0115465% | $ 2,878,224 | $ 3,818,601 | $ 6,696,825 | $ 13,251,765 | 21.72% | 18.26% |
| 2024 | 0.0121241% | $ 3,679,851 | $ 4,610,803 | $ 8,290,654 | $ 13,279,567 | 27.71% | 13.70% |
| 2023 | 0.0121589% | $ 2,691,765 | $ 3,248,028 | $ 5,939,793 | $ 12,551,620 | 21.45% | 14.94% |
| 2022 | 0.0131293% | $ 3,143,672 | $ 3,834,785 | $ 6,978,457 | $ 12,466,793 | 25.22% | 11.52% |
| 2021 | 0.0129088% | $ 4,979,499 | $ 6,671,419 | $ 11,650,918 | $ 12,242,812 | 40.67% | 6.18% |
| 2020 | 0.0133109% | $ 5,060,067 | $ 6,799,517 | $ 11,859,584 | $ 12,276,434 | 41.22% | 4.99% |
| 2019 | 0.0131873% | $ 6,236,416 | $ 8,286,799 | $ 14,523,215 | $ 11,411,879 | 54.65% | 2.66% |
| 2018 | 0.0133780% | $ 6,679,752 | $ 9,511,571 | $ 16,191,323 | $ 11,167,561 | 59.81% | 1.57% |
| 2017 | 0.0138617% | $ 6,027,922 | $ 8,451,443 | $ 14,479,365 | $ 10,858,751 | 55.51% | 0.91% |

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Note: Amounts presented for each fiscal period were determined as of the year ending August 31 of the previous calendar year. Amounts are being accumulated until ten years are presented.

**EXHIBIT G-5**

SMITHVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – TEACHER RETIREMENT SYSTEM
RETIREE INSURANCE
FOR THE YEAR ENDED AUGUST 31, 2026

| Fiscal Year | Contractually Required Contribution | Contributions Made | Contribution Deficiency (Excess) | District's Covered Payroll | Contributions as a Percent Covered Payroll |
|---|---|---|---|---|---|
| 2026 | $ 122,983 | $ 122,983 | $ - | $ 14,335,901 | 0.86% |
| 2025 | $ 106,624 | $ 106,624 | $ - | $ 13,251,765 | 0.80% |
| 2024 | $ 110,129 | $ 110,129 | $ - | $ 13,279,567 | 0.83% |
| 2023 | $ 105,475 | $ 105,475 | $ - | $ 12,551,620 | 0.84% |
| 2022 | $ 107,736 | $ 107,736 | $ - | $ 12,466,793 | 0.86% |
| 2021 | $ 100,847 | $ 100,847 | $ - | $ 12,242,812 | 0.82% |
| 2020 | $ 101,173 | $ 101,173 | $ - | $ 12,276,434 | 0.82% |
| 2019 | $ 93,593 | $ 93,593 | $ - | $ 11,411,879 | 0.82% |
| 2018 | $ 92,289 | $ 92,289 | $ - | $ 11,167,561 | 0.83% |

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Note: Amounts are being accumulated until 10 years are presented.

SMITHVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION ON OPEB
AUGUST 31, 2026

The following actuarial assumptions were applied for the most recent valuation:

| | |
|---|---|
| Valuation Date | August 31, 2024 rolled forward to August 31, 2025 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.30% |
| Single Discount Rate | 5.23% |
| Aging Factors | Society of Actuaries 2013 Study |
| Expenses | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost. |
| Projected Salary Increases | 3.20% to 9.20%, including inflation |
| Healthcare Trend Rates | 7.35-9.0% decreasing to 4.25% over 14 years |
| Election Rates | Normal Retirement: 62% participation prior to age 65 and 25% after age 65. 30% of pre-65 retirees are assumed to discontinue coverage at age 65 |
| Ad hoc post-employment benefit changes | None |

The following were changes to the actuarial assumptions or other inputs that affected the measurement of the OPEB liability during the years ending August 31:

| | |
|---|---|
| 2025 | Discount rate increased from 3.87% to 5.23% |
| 2024 | Discount rate decreased from 4.13% to 3.87% |
| 2023 | Discount rate increased from 3.91% to 4.13% |
| 2022 | Discount rate increased from 1.95% to 3.91% |
| 2021 | Discount rate decreased from 2.63% to 1.95% |
| 2020 | Discount rate decreased from 2.63% to 2.33% |
| | Participation rate for post-65 retirees lowered from 50% to 40% |
| | Health care trend rate lowered from 4.5% to 4.25% |
| 2019 | Discount rate decreased from 3.69% to 2.63% |
| | Election rates reduced from 70% to 65% |
| 2018 | Inflation rate reduced from 2.5% to 2.3% |
| | Discount rate increased from 3.42% to 3.69% |
| | Salary increases reduced from 3.5-9.5% to 3.05-9.05% |

There have been no changes in benefit terms impacting the schedule.

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SUPPLEMENTARY INFORMATION

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements.

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SMITHVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEETS
NONMAJOR FUNDS
AUGUST 31, 2026

| Data Control Codes | | Special Revenue Funds | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 206 ESEA Title X Part C | 211 Title I Part A | 224 IDEA, Part B Formula | 225 IDEA, Part B Preschool | 226 IDEA, Part B Discretionary | 240 National School Lunch | 244 Career & Tech Basic Grant |
| | ***ASSETS:*** | | | | | | | |
| 1110 | Cash and Cash Equivalents | $ - | $ 680 | $ - | $ - | $ - | $ - | $ - |
| 1120 | Current Investments | - | - | - | - | - | 20,860 | - |
| 1240 | Due from Other Governments | - | 121,460 | 64,583 | 583 | - | 56,621 | 4,533 |
| 1290 | Due from Others | - | - | - | - | - | 7,870 | - |
| 1000 | *Total Assets* | $ - | $ 122,140 | $ 64,583 | $ 583 | $ - | $ 85,351 | $ 4,533 |
| | ***LIABILITIES:*** | | | | | | | |
| 2110 | Accounts Payable | $ - | $ 8,034 | $ - | $ - | $ - | $ 4,936 | $ - |
| 2160 | Accrued Wages Payable | - | - | - | - | - | 44,505 | - |
| 2170 | Due to Other Funds | - | 114,106 | 64,583 | 583 | - | 7,611 | 4,533 |
| 2200 | Accrued Expenditures | - | - | - | - | - | 913 | - |
| 2300 | Unearned Revenue | - | - | - | - | - | - | - |
| 2000 | *Total Liabilities* | - | 122,140 | 64,583 | 583 | - | 57,965 | 4,533 |
| | ***FUND BALANCES:*** | | | | | | | |
| | *Restricted Fund Balances:* | | | | | | | |
| 3450 | State and Federal Programs | - | - | - | - | - | 27,386 | - |
| 3490 | Other Restrictions | - | - | - | - | - | - | - |
| 3000 | *Total Fund Balances* | - | - | - | - | - | 27,386 | - |
| 4000 | Total Liabilities and Fund Balance | $ - | $ 122,140 | $ 64,583 | $ 583 | $ - | $ 85,351 | $ 4,533 |

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| Special Revenue Funds | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 255 ESEA Title II Part A | 263 Title III Part A | 265 21st Century Learning | 289 Other Federal Grants | 397 Advanced Placement Grant | 410 State Textbook | 429 Other State Special Revenue | 461 Campus Activity Funds | 496 Traumatic Brain Injury Grant |
| $ - | $ - | $ - | $ - | $ (719) | $ - | $ - | $ 179,102 | $ 50,000 |
| - | - | - | - | - | 41,220 | 3,000 | - | - |
| 12,093 | - | - | 8,164 | 719 | - | 77,900 | - | - |
| - | 1,700 | - | - | - | - | - | - | - |
| $ 12,093 | $ 1,700 | $ - | $ 8,164 | $ - | $ 41,220 | $ 80,900 | $ 179,102 | $ 50,000 |
| $ - | $ - | $ - | $ - | $ - | $ 17,861 | $ 17,600 | $ 10,361 | $ - |
| - | - | - | - | - | - | - | - | - |
| 12,093 | 1,700 | - | 8,164 | - | - | 60,300 | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 3,000 | - | - |
| 12,093 | 1,700 | - | 8,164 | - | 17,861 | 80,900 | 10,361 | - |
| - | - | - | - | - | 23,359 | - | - | - |
| - | - | - | - | - | - | - | 168,741 | 50,000 |
| - | - | - | - | - | 23,359 | - | 168,741 | 50,000 |
| $ 12,093 | $ 1,700 | $ - | $ 8,164 | $ - | $ 41,220 | $ 80,900 | $ 179,102 | $ 50,000 |

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| Data Control Codes | | Special Revenue Funds: 497 Project Lead the Way | 498 TASB Cyber Security Grant | 499 Project Lead the Way | Total Nonmajor Funds |
|---|---|---|---|---|---|
| | ***ASSETS:*** | | | | |
| 1110 | Cash and Cash Equivalents | $ 6,953 | $ - | $ - | $ 236,016 |
| 1120 | Current Investments | - | - | - | 65,080 |
| 1240 | Due from Other Governments | - | - | - | 346,656 |
| 1290 | Due from Others | - | - | - | 9,570 |
| 1000 | *Total Assets* | $ 6,953 | $ - | $ - | $ 657,322 |
| | ***LIABILITIES:*** | | | | |
| 2110 | Accounts Payable | $ - | $ - | $ - | $ 58,792 |
| 2160 | Accrued Wages Payable | - | - | - | 44,505 |
| 2170 | Due to Other Funds | - | - | - | 273,673 |
| 2200 | Accrued Expenditures | - | - | - | 913 |
| 2300 | Unearned Revenue | - | - | - | 3,000 |
| 2000 | *Total Liabilities* | - | - | - | 380,883 |
| | ***FUND BALANCES:*** | | | | |
| | *Restricted Fund Balances:* | | | | |
| 3450 | State and Federal Programs | - | - | - | 50,745 |
| 3490 | Other Restrictions | 6,953 | - | - | 225,694 |
| 3000 | *Total Fund Balances* | 6,953 | - | - | 276,439 |
| 4000 | Total Liabilities and Fund Balance | $ 6,953 | $ - | $ - | $ 657,322 |

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SMITHVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR FUNDS
FOR THE YEAR ENDED AUGUST 31, 2026

| Data Control Codes | | Special Revenue Funds | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 206 ESEA Title X Part C | 211 Title I Part A | 224 IDEA, Part B Formula | 225 IDEA, Part B Preschool | 226 IDEA, Part B Discretionary | 240 National School Lunch | 244 Career & Tech Basic Grant |
| | **REVENUES** | | | | | | | |
| 5700 | Local and Intermediate Sources | $ - | $ - | $ - | $ - | $ - | $ 355,066 | $ - |
| 5800 | State Program Revenues | - | - | - | - | - | 50,553 | - |
| 5900 | Federal Program Revenues | 4,203 | 544,155 | 372,159 | 3,153 | 234,833 | 918,820 | 25,121 |
| 5020 | **Total Revenues** | 4,203 | 544,155 | 372,159 | 3,153 | 234,833 | 1,324,439 | 25,121 |
| | **EXPENDITURES** | | | | | | | |
| | *Current:* | | | | | | | |
| 0011 | Instruction | 3,688 | 291,099 | 94,339 | 3,153 | 188,759 | - | 25,121 |
| 0013 | Curriculum Development | - | 245,556 | - | - | - | - | - |
| 0021 | Instructional Leadership | 515 | 1,500 | - | - | - | - | - |
| 0023 | School Leadership | - | 6,000 | - | - | - | - | - |
| 0031 | Guidance, Counseling, & Evaluation Services | - | - | 277,820 | - | - | - | - |
| 0035 | Food Service | - | - | - | - | - | 1,253,008 | - |
| 0036 | Extracurricular Activities | - | - | - | - | - | - | - |
| 0051 | Plant Maintenance | - | - | - | - | - | 44,045 | - |
| 0052 | Security & Monitoring | - | - | - | - | - | - | - |
| 0093 | Payments to Fiscal Agent | - | - | - | - | 46,074 | - | - |
| 6030 | **Total Expenditures** | 4,203 | 544,155 | 372,159 | 3,153 | 234,833 | 1,297,053 | 25,121 |
| 1200 | Net Change in Fund Balances | - | - | - | - | - | 27,386 | - |
| 0100 | Fund Balances - Beginning | - | - | - | - | - | - | - |
| 3000 | Fund Balances - Ending | $ - | $ - | $ - | $ - | $ - | $ 27,386 | $ - |

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| Special Revenue Funds | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 255 ESEA Title II Part A | 263 Title III Part A | 265 21st Century Learning | 289 Other Federal Grants | 397 Advanced Placement Grant | 410 State Textbook | 429 Other State Special Revenue | 461 Campus Activity Funds | 496 Traumatic Brain Injury Grant |
| $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 283,880 | $ 50,000 |
| - | - | - | - | 719 | 227,413 | 404,471 | - | - |
| 79,187 | 1,700 | 137,684 | 36,831 | - | - | - | - | - |
| 79,187 | 1,700 | 137,684 | 36,831 | 719 | 227,413 | 404,471 | 283,880 | 50,000 |
| | | | | | | | | |
| 73,835 | 1,700 | 71,349 | 36,831 | 719 | 206,502 | 3,995 | 9,018 | - |
| 5,352 | - | - | - | - | - | - | - | - |
| - | - | 66,335 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| | | | | | | | | |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 283,738 | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 400,476 | - | - |
| - | - | - | - | - | - | - | - | - |
| 79,187 | 1,700 | 137,684 | 36,831 | 719 | 206,502 | 404,471 | 292,756 | - |
| | | | | | | | | |
| - | - | - | - | - | 20,911 | - | (8,876) | 50,000 |
| | | | | | | | | |
| - | - | - | - | - | 2,448 | - | 177,617 | - |
| $ - | $ - | $ - | $ - | $ - | $ 23,359 | $ - | $ 168,741 | $ 50,000 |

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| Data Control Codes | | Special Revenue Funds: 497 Project Lead the Way | 498 TASB Cyber Security Grant | 499 Project Lead the Way | Total Nonmajor Funds |
|---|---|---|---|---|---|
| | **REVENUES** | | | | |
| 5700 | Local and Intermediate Sources | $ 10,000 | $ 1,750 | $ 5,150 | $ 705,846 |
| 5800 | State Program Revenues | - | - | - | 683,156 |
| 5900 | Federal Program Revenues | - | - | - | 2,357,846 |
| 5020 | **Total Revenues** | 10,000 | 1,750 | 5,150 | 3,751,868 |
| | **EXPENDITURES** | | | | |
| | *Current:* | | | | |
| 0011 | Instruction | 3,047 | 1,750 | 5,150 | $ 1,020,055 |
| 0013 | Curriculum Development | - | - | - | 250,908 |
| 0021 | Instructional Leadership | - | - | - | 68,350 |
| 0023 | School Leadership | - | - | - | 6,000 |
| 0031 | Guidance, Counseling, & Evaluation Services | - | - | - | 277,820 |
| 0035 | Food Service | - | - | - | 1,253,008 |
| 0036 | Extracurricular Activities | - | - | - | 283,738 |
| 0051 | Plant Maintenance | - | - | - | 44,045 |
| 0052 | Security & Monitoring | - | - | - | 400,476 |
| 0093 | Payments to Fiscal Agent | - | - | - | 46,074 |
| 6030 | **Total Expenditures** | 3,047 | 1,750 | 5,150 | 3,650,474 |
| 1200 | Net Change in Fund Balances | 6,953 | - | - | 101,394 |
| 0100 | Fund Balances - Beginning | - | - | - | 180,065 |
| 3000 | Fund Balances - Ending | $ 6,953 | $ - | $ - | $ 281,459 |

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**EXHIBIT J-2**

SMITHVILLE INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2026

| Data Control Codes | | 1 Budgeted Amounts Original | 2 Budgeted Amounts Final | 3 Actual | Variance with Final Budget |
|---|---|---|---|---|---|
| | **REVENUES** | | | | |
| 5700 | Local and Intermediate Sources | $ 390,150 | $ 390,150 | $ 355,066 | $ (35,084) |
| 5800 | State Program Revenues | 50,000 | 50,000 | 50,553 | 553 |
| 5900 | Federal Program Revenues | 848,960 | 848,960 | 918,820 | 69,860 |
| 5020 | **Total Revenues** | 1,289,110 | 1,289,110 | 1,324,439 | 35,329 |
| | **EXPENDITURES** | | | | |
| 0035 | Food Services | 1,289,110 | 1,286,610 | 1,253,008 | 33,602 |
| 0051 | Plant Maintenance | 45,400 | 47,900 | 44,045 | 3,855 |
| 6030 | **Total Expenditures** | 1,334,510 | 1,334,510 | 1,297,053 | 37,457 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | (45,400) | (45,400) | 27,386 | 72,786 |
| | **OTHER FINANCING SOURCES** | | | | |
| 7915 | Transfer In | 45,400 | 45,400 | - | (45,400) |
| 7080 | **Total** | 45,400 | 45,400 | - | (45,400) |
| 1200 | Net Change in Fund Balance | - | - | 27,386 | 27,386 |
| 0100 | **Fund Balance - Beginning** | - | - | - | - |
| 3000 | **Fund Balance - Ending** | $ - | $ - | $ 27,386 | $ 27,386 |

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**EXHIBIT J-3**

SMITHVILLE INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2026

| Data Control Codes | | 1 Budgeted Amounts Original | 2 Budgeted Amounts Final | 3 Actual | Variance with Final Budget |
|---|---|---|---|---|---|
| | **REVENUES** | | | | |
| 5700 | Local and Intermediate Sources | $ 3,119,000 | $ 2,959,000 | $ 3,026,464 | $ 67,464 |
| 5800 | State Program Revenues | - | 325,000 | 572,988 | 247,988 |
| 5020 | **Total Revenues** | 3,119,000 | 3,284,000 | 3,599,452 | 315,452 |
| | **EXPENDITURES** | | | | |
| 0071 | Principal on Long-Term Debt | 1,873,600 | 2,441,600 | 2,400,000 | 41,600 |
| 0072 | Interest on Long-Term Debt | 1,239,400 | 1,239,400 | 1,165,200 | 74,200 |
| 0073 | Bond Issuance Costs and Fees | 6,000 | 6,000 | 113,279 | (107,279) |
| 6030 | **Total Expenditures** | 3,119,000 | 3,687,000 | 3,678,479 | 8,521 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | - | (403,000) | (79,027) | 323,973 |
| | **OTHER FINANCING SOURCES** | | | | |
| 7911 | Issuance of Bonds | - | 3,240,000 | 3,240,000 | - |
| 7916 | Premiums on Issuance of Debt | - | 60,829 | 60,829 | - |
| 8949 | Payment to Refunding Escrow Agent | - | (3,300,829) | (3,304,800) | (3,971) |
| 7080 | **Total Other Financing Sources** | - | - | (3,971) | (3,971) |
| 1200 | Net Change in Fund Balance | - | (403,000) | (82,998) | 320,002 |
| 0100 | **Fund Balance - Beginning** | 1,876,246 | 1,876,246 | 1,876,246 | - |
| 3000 | **Fund Balance - Ending** | $ 1,876,246 | $ 1,473,246 | $ 1,793,248 | $ 320,002 |

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OTHER INFORMATION

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements.

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SMITHVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2026

| Fiscal Year Ended August 31, | 1 Tax Rates Maintenance | 2 Tax Rates Debt Service | 3 Assessed/Appraised Value for School Tax Purposes* |
|---|---|---|---|
| 2017 and Prior Years | $ Various | $ Various | $ Various |
| 2018 | 1.1700 | 0.2200 | 784,520,202 |
| 2019 | 1.1700 | 0.2600 | 820,785,172 |
| 2020 | 1.0684 | 0.2800 | 890,572,158 |
| 2021 | 1.0253 | 0.2850 | 976,362,894 |
| 2022 | 0.9603 | 0.2400 | 1,088,128,635 |
| 2023 | 0.9429 | 0.1600 | 1,421,367,304 |
| 2024 | 0.7876 | 0.1800 | 1,362,649,649 |
| 2025 | 0.7625 | 0.1800 | 1,475,130,080 |
| 2026 (School Year Under Audit)* | 0.7625 | 0.1800 | 1,439,771,034 |

1000 Totals

8000 - Taxes Refunded under Section 26.115 of the Tax Code provided by Section 11.42(f)

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

*Represents net taxable value after applicable exemptions, freeze adjustments, and discounts.

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| 10<br>Beginning<br>Balance<br>9/1/25 | 20<br>Current<br>Year's<br>Total Levy | 31<br>Maintenance<br>Collections | 32<br>Debt Service<br>Collections | 40<br>Entire<br>Year's<br>Adjustments | 50<br>Ending<br>Balance<br>8/31/26 | 99<br>Total taxes<br>refunded under<br>26.115 (c) |
|---|---|---|---|---|---|---|
| $ 126,055 | $ - | $ 11,512 | $ 2,165 | $ 928 | $ 113,306 | $ - |
| 30,454 | - | 3,917 | 737 | (479) | 25,321 | - |
| 35,428 | - | 4,237 | 942 | (403) | 29,846 | - |
| 43,032 | - | 4,686 | 1,228 | (1,027) | 36,091 | - |
| 53,445 | - | 8,112 | 2,255 | 1,899 | 44,977 | - |
| 80,643 | - | 16,535 | 4,132 | (2,711) | 57,265 | - |
| 158,020 | - | 48,482 | 8,227 | (110) | 101,201 | - |
| 205,706 | - | 62,560 | 14,297 | (15,914) | 112,935 | - |
| 472,487 | - | 202,234 | 47,740 | (11,288) | 211,225 | - |
| - | 13,569,842 | 10,542,447 | 2,487,892 | (816) | 538,687 | - |
| $ 1,205,270 | $ 13,569,842 | $ 10,904,722 | $ 2,569,615 | $ (29,921) | $ 1,270,854 | $ - |
| | | | | | | $ 21,504 |
| | | $ - | | | | |

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SMITHVILLE INDEPENDENT SCHOOL DISTRICT
SPECIAL PROGRAM COMPLIANCE SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2026

| Data Codes | | Responses |
|---|---|---|
| AP5 | Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year? | Yes |
| AP6 | Does the LEA have written policies and procedures for its bilingual education program? | Yes |
| AP7 | List the total state allotment funds received for bilingual education programs during the LEA's fiscal year. | $ 119,229 |
| AP8 | List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC 25) | $ 91,679 |

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**EXHIBIT L-1**

SMITHVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2026

| Data Control Codes | | Responses |
|---|---|---|
| SF1 | Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole? | Yes |
| SF2 | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end? | No |
| SF3 | Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? | Yes |
| SF4 | Was the school district issued a warrant hold? | No |
| SF5 | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? | No |
| SF6 | Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? | No |
| SF7 | Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's 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 | $ - |

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COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Board of Trustees
Smithville Independent School District
Smithville, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Smithville Independent School District as of and for the year ended August 31, 2026, and the related notes to the financial statements, which collectively comprise Smithville Independent School District's basic financial statements, and have issued our report thereon dated November 13, 2026.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Smithville Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Smithville Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Smithville 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Smithville 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Armstrong, Vaughan & Associates, P.C.
November 13, 2026

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INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Board of Trustees
Smithville Independent School District
Smithville, Texas

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Smithville 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 Smithville Independent School District's major federal programs for the year ended August 31, 2026. Smithville 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, Smithville Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2026.

***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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Smithville 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 Smithville Independent School District's compliance with the compliance requirements referred to above.

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***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 Smithville 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 Smithville 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 GAAS, *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 Smithville Independent School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Smithville 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 Smithville 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 Smithville 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.

**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.

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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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.
November 13, 2026

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SMITHVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2026

A. Summary of Auditor's Results

1. Financial Statements

| | | |
|---|---|---|
| Type of auditor's report issued: | Unmodified | |
| Internal control over financial reporting: | | |
| Any material weaknesses identified? | ____ Yes | __X__ No |
| Any significant deficiencies identified? | ____ Yes | __X__ No |
| Noncompliance material to financial Statements noted? | ____ Yes | __X__ No |

2. Federal Awards

| | | |
|---|---|---|
| Internal control over major programs: | | |
| Any material weaknesses identified? | ____ Yes | __X__ No |
| Any significant deficiencies identified? | ____ Yes | __X__ No |
| Type of auditor's report issued on compliance for major programs: | Unmodified | |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | ____ Yes | __X__ No |

Identification of major programs:

| ALN Number(s) | Name of Federal Program or Cluster |
|---|---|
| 84.027, 84.173 | IDEA B – Special Education Cluster |

| | | |
|---|---|---|
| Dollar threshold used to distinguish between Type A and type B Programs: | $1,000,000 | |
| Auditee qualified as low-risk auditee? | __X__ Yes | ___ No |

B. Financial Statement Findings
NONE

C. Federal Award Findings and Questioned Costs
NONE

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SMITHVILLE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2026

| Explanation Finding/Recommendation | Current Status | Management's Explanation If Not Implemented |
|---|---|---|
| Not Applicable | | |

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**EXHIBIT K-1**

SMITHVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2026

| (1) | (2) | (2A) | (3) |
|---|---|---|---|
| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal ALN Number | Pass-Through Entity Identifying Number | Federal Expenditures |
| **U.S. DEPARTMENT OF EDUCATION** | | | |
| *Passed Through Texas Education Agency:* | | | |
| Title I Part A - Improving Basic Programs | 84.010A | 26610101011904 | $ 474,480 |
| Title I, Instructional Leadership | 84.010A | 25610105011904 | 18,705 |
| Title I, 1003 ESF Focused Support Grant | 84.010A | 256101397110013 | 50,970 |
| Title II Part A - Teacher & Principal Training & Recruiting | 84.367A | 26694501011904 | 79,187 |
| Title IV Part A | 84.424A | 26680101011904 | 32,794 |
| * IDEA-Part B, Formula | 84.027A | 266600010119046000 | 372,159 |
| * IDEA-Part B, Preschool | 84.173A | 266610010119046000 | 3,153 |
| * IDEA-Part B, High Cost | 84.027A | 66002606 | 234,833 |
| Career and Technical - Basic Grant | 84.048A | 26420006011904 | 25,121 |
| *Total Passed Through Texas Education Agency* | | | 1,291,402 |
| *Passed Through Education Service Center, Region X:* | | | |
| *Summer Special Education Data Support Grant | 84.027A | 266600567110010 | 4,037 |
| *Total Passed Through Education Service Center, Region X* | | | 4,037 |
| *Passed Through Education Service Center, Region XIII:* | | | |
| 21st CCLC | 84.287C | S287C250044 | 137,684 |
| Title III Part A | 84.365A | 26671001227950 | 1,700 |
| ESEA Title X, Part C | 84.196 | 26460005227950 | 4,203 |
| *Total Passed Through Education Service Center, Region XIII* | | | 143,587 |
| **TOTAL U.S. DEPARTMENT OF EDUCATION** | | | 1,439,026 |
| **U.S. DEPARTMENT OF AGRICULTURE** | | | |
| *Passed Through Texas Department of Agriculture:* | | | |
| ^ School Breakfast Program | 10.553 | 71402601 | 208,425 |
| ^ National School Lunch | 10.555 | 71302601 | 610,326 |
| ^ Commodities # | 10.555 | 011904 | 100,069 |
| *Total Passed Through Texas Department of Agriculture* | | | 918,820 |
| **TOTAL U.S. DEPARTMENT OF AGRICULTURE** | | | 918,820 |
| **TOTAL EXPENDITURES OF FEDERAL AWARDS** | | | $ 2,357,846 |

# - Indicates Non-cash Assistance

*Cluster Totals*

| | |
|---|---|
| * Special Education | $ 614,182 |
| ^ Child Nutrition | $ 918,820 |

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SMITHVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2026

| | | |
|---|---|---|
| *Program Totals* | | |
| Title I | 84.010 | $ 544,155 |
| IDEA B | 84.027 | $ 611,029 |
| National School Lunch | 10.555 | $ 710,395 |

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SMITHVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2026

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special revenue funds are used to account for resources restricted, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in the General Fund or Special Revenue Fund, which are Governmental Fund types. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

   The modified accrual basis of accounting is used for the Governmental Fund types and Fiduciary Funds. This basis of accounting recognizes revenue in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

   Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenue until earned.

3. According to AAG-SLG Appendix D, Questions and Answers, most Medicaid arrangements between states and providers (SHARS) are contracts for services and not Federal assistance, they should not appear on the Schedule of Expenditures of Federal Awards.

4. The District charges indirect costs in accordance with a negotiated rate with the Texas Education Agency and has not elected to use the 15% de minimis indirect cost rate as allowed by Uniform Guidance.

5. Reconciliation of the Schedule of Expenditures of Federal Awards to Exhibit C-2 is as follows:

| | | |
|---|---|---|
| Federal Program Revenues and Expenditures: | | |
| General Fund | $ | 90,814 |
| Special Revenue Fund | | 2,357,846 |
| | | 2,448,660 |
| Less: | | |
| E-rate | | (51,840) |
| Shared Health and Related Services (SHARS) | | (38,974) |
| Total per Schedule of Expenditures of Federal Awards (See Exhibit K-1) | $ | 2,357,846 |

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