

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2023. 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.

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$738 thousand as a result of this period's operations.
- Total cost of all of the District's programs increased \$1.1 million or 4.5% from prior year as a result of increased costs related to instruction.
- Governmental fund balances increased \$389 thousand and General Fund expenditures for the fiscal period were \$549 thousand less than the final budget.

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.

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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$2.6 million at August 31, 2023 (See Table A-1). Of this amount, \$1.6 million is invested in capital assets, and \$1.6 million is restricted, leaving a deficit balance in unrestricted net position of \$542 thousand.

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

	Governmental Activities		Percentage Change
	8/31/23	8/31/22	
<i>Assets:</i>			
Cash and Investments	\$ 13,919,121	\$ 12,084,747	15.2%
Other Current Assets	1,264,420	1,218,843	3.7%
Property and Equipment (net)	38,274,714	39,872,698	-4.0%
<i>Total Assets</i>	<u>53,458,255</u>	<u>53,176,288</u>	0.5%
<i>Deferred Outflows</i>	<u>3,231,196</u>	<u>2,196,212</u>	47.1%
<i>Liabilities</i>			
Current Liabilities	4,366,433	3,089,785	41.3%
Long-term Liabilities	43,805,777	43,787,850	0.0%
<i>Total Liabilities</i>	<u>48,172,210</u>	<u>46,877,635</u>	2.8%
<i>Deferred Inflows</i>	<u>5,867,130</u>	<u>6,583,276</u>	-10.9%
<i>Net Position:</i>			
Net Investment in Capital Assets	1,626,166	1,792,956	-9.3%
Restricted	1,565,702	1,562,976	0.2%
Unrestricted	(541,757)	(1,444,343)	-62.5%
<i>Total Net Position</i>	<u>\$ 2,650,111</u>	<u>\$ 1,911,589</u>	38.6%

Changes in Net Position

The District's total revenues were \$26.3 million. A significant amount of this revenue, \$16.3 million or 62.1% comes from local taxes, \$9.3 million or 35.6% came from state, federal and local grants, while another \$594 thousand or 2.3% is related to charges for services.

The total cost of all programs and services was \$25.5 million; instruction and instruction related service costs were \$19.3 million or 75.5%.

Table A-2 presents the cost of each of the District's functions with a comparison to the prior period.

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

	Governmental Activities		Percentage
	2023	2022	Change
<i>Program Revenues:</i>			
Charges for Services	\$ 594,339	\$ 508,403	16.9%
Operating Grants & Contributions	3,395,426	3,832,825	-11.4%
<i>General Revenues:</i>			
Property Taxes	16,339,058	13,573,987	20.4%
General Grants	4,496,177	6,978,227	-35.6%
Investment Earnings	816,690	98,913	725.7%
Miscellaneous	644,559	303,113	112.6%
<i>Total Revenues</i>	<u>26,286,249</u>	<u>25,295,468</u>	3.9%
<i>Expenses:</i>			
Instruction	12,350,708	11,672,863	5.8%
Instructional Resources & Media	292,183	312,172	-6.4%
Curriculum & Staff Development	408,329	337,682	20.9%
Instructional Leadership	431,446	276,306	56.1%
School Leadership	1,014,668	1,024,845	-1.0%
Guidance, Counseling, Evaluation	431,924	379,325	13.9%
Social Work Services	55,203	59,354	-7.0%
Health Services	279,395	274,076	1.9%
Student Transportation	1,117,526	1,040,206	7.4%
Food Service	1,455,246	1,244,390	16.9%
Extracurricular Activities	1,457,629	1,544,284	-5.6%
General Administration	803,965	729,370	10.2%
Plant Maintenance & Operations	2,672,464	2,710,897	-1.4%
Security Services	261,090	112,345	132.4%
Data Processing Services	449,715	483,215	-6.9%
Community Services	106,773	128,076	-16.6%
Interest on Long-Term Debt	1,257,199	1,295,615	-3.0%
Facilities Acquisition and Construction	-	76,855	-100.0%
Payments to Fiscal Agent	475,546	556,804	-14.6%
Other Intergovernmental Charges	226,718	199,204	13.8%
<i>Total Expenses</i>	<u>25,547,727</u>	<u>24,457,884</u>	4.5%
<i>Increase (Decrease) in Net Position</i>	738,522	837,584	
<i>Beginning Net Position</i>	1,911,589	1,074,005	
<i>Ending Net Position</i>	<u>\$ 2,650,111</u>	<u>\$ 1,911,589</u>	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$26.8 million, an increase of \$432 thousand compared to the preceding period. The District experienced increases in local revenues due to higher property tax collections and investment earnings but a decrease in state and federal revenues due to lower state funding and federal reimbursement for the Child Nutrition program.

Expenditures from governmental fund types totaled \$26.4 million, an increase of \$25 thousand compared to the preceding period. This increase is primarily made up of increases in Instructional Leadership and Food Service compared to the prior year.

BUDGETARY HIGHLIGHTS

In accordance with state law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

The General Fund's expenditures were \$549 thousand less than the final budgeted expenditures. Combined with revenues, the General Fund balance increased \$1.1 million more than anticipated in the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2023, the District had invested \$70.9 million in a broad range of capital assets, including land, equipment, vehicles and buildings (See Table A-3). The most significant change in capital assets this year was the purchase of one passenger bus, three trucks and playground equipment.

Table A-3
Changes in Smithville Independent School District's Capital Assets

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 856,905	\$ -	\$ -	\$ 856,905
Construction in Progress	6,050	38,253	(6,050)	38,253
Buildings and Improvements	64,034,116	279,246	-	64,313,362
Vehicles	3,295,384	225,357	(181,748)	3,338,993
Equipment	2,024,710	94,242	6,050	2,125,002
Right of Use Assets	228,460	-	-	228,460
Less: Accumulated Depreciation	(30,572,927)	(2,235,082)	181,748	(32,626,261)
Total Capital Assets	<u>\$ 39,872,698</u>	<u>\$ (1,597,984)</u>	<u>\$ -</u>	<u>\$ 38,274,714</u>

Land and Construction in progress are not depreciated.

Long Term Debt

At period-end the District owed \$36.7 million for outstanding bonds and leases payable (including unamortized premiums). More detailed information about the District's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT PERIOD'S BUDGETS AND TAX RATES

- The District's elected and appointed officials considered many factors when setting the fiscal year 2024 budget and tax rates. Those factors include property values, staffing trends, changes in enrollment, attendance rates and patterns, incoming federal funds, the local and state economy, and legislative mandates.
- Student enrollment for fiscal year 2024 is currently projected to be slightly higher than the previous fiscal year. The District will continue to study demographic trends that may impact special programs.
- The Board approved an overall 4% raise for all professional staff, a 6% raise for classroom instructional aides, a 5% raise for the Child Nutrition receptionist, Nurse aides, Library aides, Campus receptionists, Elem PEIMS personnel and the Brown Primary Principal Secretary. All other clerical, para-professional and manual trades will receive the overall 4% raise. The Board also approved a retention stipend (with the amount to be determined in Spring 2024) to be paid to all active employees, at the completion of the year.
- The District's total tax rate decreased from \$1.1029 to \$0.9676 per \$100 valuation. The Maintenance and Operations tax rate decreased to \$0.7876 and the Interest & Sinking tax rate increased from \$0.16 to \$0.18.
- District officials anticipate that the fund balances for the General and Debt Service funds will not materially change from fiscal year 2023 to fiscal year 2024.
- The Board approved utilizing fund balance from the Child Nutrition Fund to make capital project improvements in the department.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. 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.

SMITHVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Nonmajor Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 15,123,252	\$ 2,525,787	\$ 566,007	\$ 18,215,046
5800 State Program Revenues	5,117,715	63,542	268,803	5,450,060
5900 Federal Program Revenues	631,855	-	2,532,793	3,164,648
5020 <i>Total Revenues</i>	<u>20,872,822</u>	<u>2,589,329</u>	<u>3,367,603</u>	<u>26,829,754</u>
EXPENDITURES:				
0011 Instruction	10,798,208	-	1,040,277	11,838,485
0012 Instructional Resources and Media Services	288,117	-	4,066	292,183
0013 Curriculum and Staff Development	163,599	-	315,850	479,449
0021 Instructional Leadership	404,337	-	71,560	475,897
0023 School Leadership	1,059,933	-	17,283	1,077,216
0031 Guidance, Counseling, & Evaluation Services	426,841	-	5,083	431,924
0032 Social Work Services	54,186	-	1,017	55,203
0033 Health Services	274,238	-	5,157	279,395
0034 Student Transportation	1,154,282	-	19,700	1,173,982
0035 Food Service	20,311	-	1,465,953	1,486,264
0036 Cocurricular/Extracurricular Activities	977,299	-	174,798	1,152,097
0041 General Administration	840,173	-	6,100	846,273
0051 Plant Maintenance and Operations	2,621,858	-	83,024	2,704,882
0052 Security and Monitoring Services	141,577	-	99,014	240,591
0053 Data Processing Services	404,144	-	3,076	407,220
0061 Community Services	106,773	-	-	106,773
0071 Principal on Long-Term Debt	45,608	1,260,000	-	1,305,608
0072 Interest on Long-Term Debt	5,241	1,376,300	-	1,381,541
0073 Bond Issuance Costs and Fees	-	3,000	-	3,000
0093 Payments to Fiscal Agent	475,546	-	-	475,546
0099 Other Intergovernmental Charges	226,718	-	-	226,718
6030 <i>Total Expenditures</i>	<u>20,488,989</u>	<u>2,639,300</u>	<u>3,311,958</u>	<u>26,440,247</u>
1200 Net Change in Fund Balances	383,833	(49,971)	55,645	389,507
0100 Fund Balances - Beginning	9,408,880	974,832	478,208	10,861,920
3000 Fund Balances - Ending	<u>\$ 9,792,713</u>	<u>\$ 924,861</u>	<u>\$ 533,853</u>	<u>\$ 11,251,427</u>

The accompanying notes are an integral part of this statement.

