

The management of Smithville Independent School District ("the District") offer readers of the annual financial report this narrative discussion and analysis of the District's financial performance for the year ended August 31, 2020. Readers are encouraged to consider the information presented here in conjunction with the District's financial statements, which follow this analysis.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$8,742.
- During the year, the District's expenses were \$364,930 more than the \$25,730,532 generated in property taxes, grants and other revenues for governmental activities.
- The governmental funds financial statements reported combined ending fund balance of \$10,022,608 for the year ending August 31, 2020, a decrease of \$6,571,909 in comparison with the prior year, \$7,061,231 is attributed to the decrease in the Capital Projects Fund due to ongoing construction. This balance consists of \$8,201,029 in the General Fund, \$6,001,270 of which is unassigned and available for spending at the District's discretion; \$2,111,488 has been assigned as discussed below. Restricted fund balance totals \$1,756,505 and is included in the Debt Service Fund, Capital Projects Fund and Non-Major Funds. Committed fund balance is \$65,074 and consists of amounts held in campus activity funds. Assigned fund balance totals \$2,111,488 and has been assigned for future construction projects. Non-spendable fund balance is \$88,271.
- The General Fund had \$19,514,289 in revenues which primarily consisted of state aid and property taxes and \$224,960 in other financing sources (capital lease proceeds), and \$19,177,327 in expenditures which resulted in an increase in fund balance by \$576,888 for the year ended August 31, 2020.

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.
 - *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Smithville Independent School District
 Management's Discussion and Analysis
 Year Ended August 31, 2020

Major features of the District's [government-wide](#) and [fund financial statements](#) are summarized below:

Type of Statement	Government-Wide	Fund Financials	
		Governmental Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not propriety or fiduciary	Instances in which the District is the trustee or agent for someone else's resources
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of change in net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after year-end, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	Agency funds do not report revenue and expenditures.

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.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector company. These statements include:

The Statement of Net Position. The Statement of Net Position (Exhibit A-1) focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of what the District owns (assets), what it owes (liabilities), and the net difference (net position). Net position may be further separated into amounts restricted for specific purposes and unrestricted amounts. Over time, increases or decreases in the District's net position may serve as a useful indicator of whether the financial health is improving or deteriorating.

The Statement of Activities. The Statement of Activities (Exhibit B-1) presents information showing how the net position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing for when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

To assess the overall health of the District, additional nonfinancial factors should be considered, such as changes in the District's property tax base, student enrollment, and facility conditions.

The government-wide financial statements of the District are as follows:

- 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, rather than the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required by State law and by bond covenants, while many other funds are established by the District to help manage resources for particular purposes and compliance with various grant provisions. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out of those funds and (2) the balances left at year-end that are available for spending in future periods. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's educational 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 that explain the relationship (or differences) between them.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund and Capital Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation as nonmajor funds.

Fiduciary Funds. The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, may be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary funds are excluded from the District's government-wide financial statements because these resources are not available to finance District operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information, including schedules required by the Texas Education Agency.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's combined net position decreased \$365 thousand from the previous year as can be seen on the following table.

Smithville Independent School District
Management's Discussion and Analysis
Year Ended August 31, 2020

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Assets		
Current and other assets	\$ 12,831,293	\$ 19,301,633
Capital assets	<u>42,053,894</u>	<u>36,256,172</u>
Total assets	<u>54,885,187</u>	<u>55,557,805</u>
Deferred outflows of resources	<u>3,144,610</u>	<u>3,423,498</u>
Liabilities		
Current liabilities	2,134,844	1,982,916
Noncurrent liabilities	<u>51,977,830</u>	<u>53,877,234</u>
Total liabilities	<u>54,112,674</u>	<u>55,860,150</u>
Deferred inflows of resources	<u>3,908,381</u>	<u>2,747,481</u>
Net position		
Investment in capital assets	2,178,103	2,299,263
Restricted	892,007	903,426
Unrestricted	<u>(3,061,368)</u>	<u>(2,829,017)</u>
Total net position	<u>\$ 8,742</u>	<u>\$ 373,672</u>

The District's capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent about 77 percent of total assets. The remaining assets consist mainly of cash, investments, grants receivable, property taxes receivable, inventories and prepaid assets.

The District's long-term liabilities include repayment of general obligation bonds, the related premium on bond issuance and capital leases payable (76 percent) and net pension and OPEB liability (21 percent). Other liabilities consist almost entirely of payables on accounts and salaries and benefits (3 percent).

The District's net position includes its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the district's ongoing obligations to students, employees, and creditors.

The change in net position is attributed to the following:

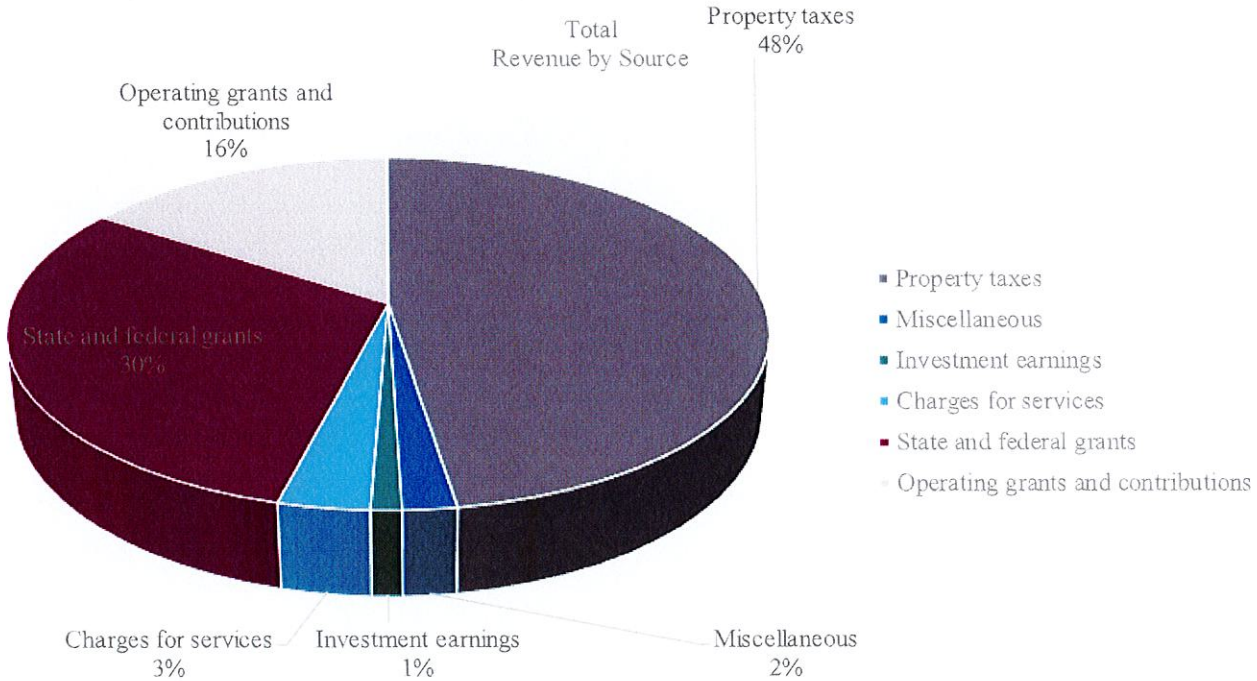
- The increase of expenses from \$23,784,711 to \$26,095,462, primarily due to higher salaries related to the passage of House Bill 3 by the State legislature, scheduled interest on long-term debt payments and higher depreciation expense due to the addition of the new Junior High and Tiger Stadium in the prior year.
- The increase of revenues from \$23,753,317 to \$25,730,532 due to higher tax collections, State Foundation and miscellaneous revenue.

Total Government

Funding is by the specific program revenue or through general revenues such as property taxes and investment earnings. Total revenues for the District's activities increased \$1,977,215 while total expenses increased \$2,310,751, which resulted in a net decrease of net position of \$318,570.

Revenues

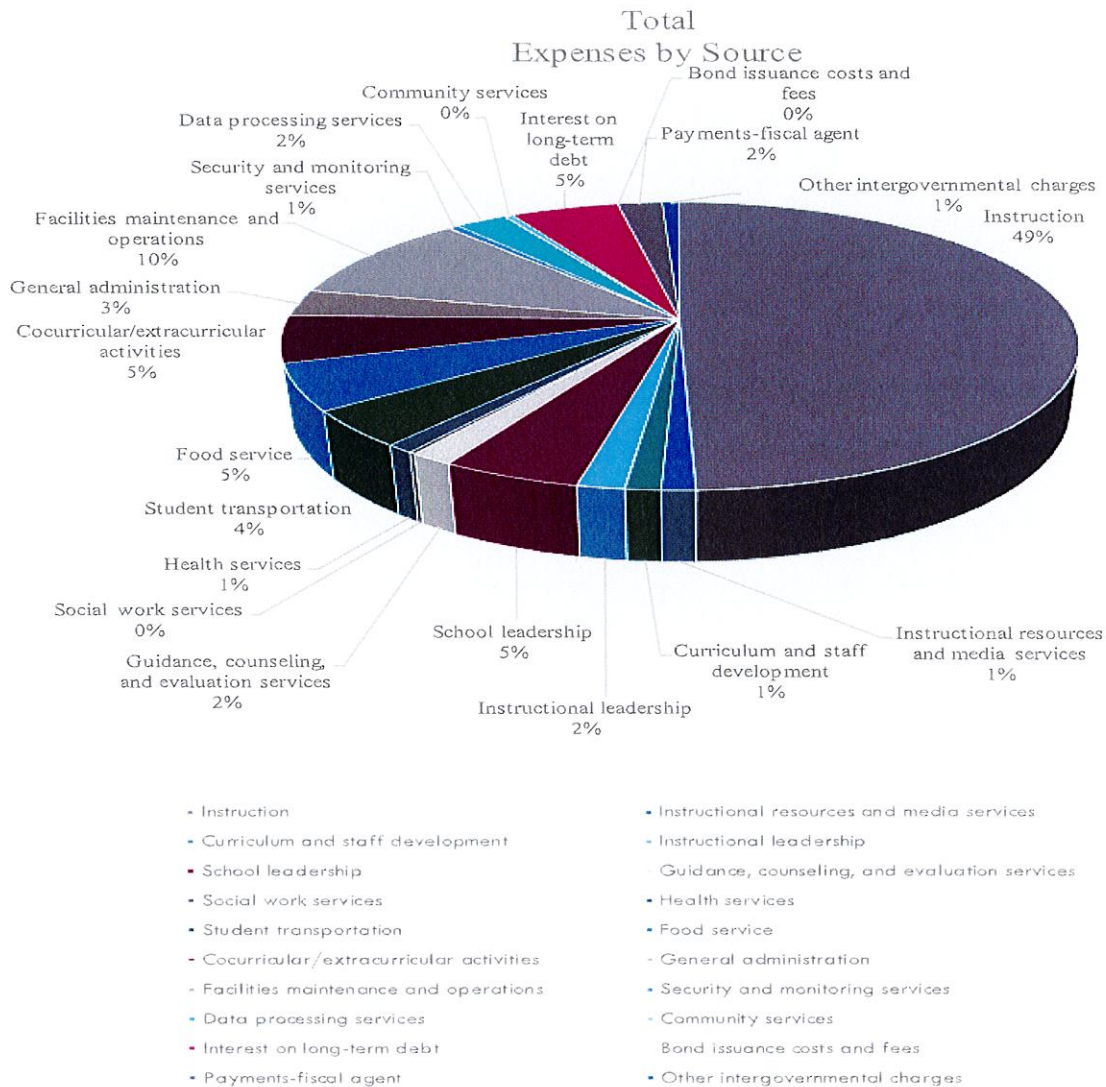
The District's total revenues were \$25,730,532, representing an increase of \$1,977,215 from the previous year. The majority of this change was due to increased property taxes and State Foundation aid. As seen below, approximately 72% of the District's revenue comes from taxes while the remaining comes primarily from program revenue and state and federal sources.



Expenses

The District's total expenses were \$26,095,462, representing an increase of \$2,310,751 from the previous year. The majority of this increase is due to an increase in salaries, interest and depreciation from the prior year. The District's primary functional expenses are outlined on the next page.

- Instruction - \$12,910,936 or 49 percent of total expenses
- Facilities maintenance and operations - \$2,600,124 or 10 percent



Smithville Independent School District
Management's Discussion and Analysis
Year Ended August 31, 2020

In total, activities decreased the District's net position by \$364,930. Key elements of this change are as follows:

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 862,642	\$ 525,437
Operating grants/contributions	4,034,038	4,162,377
General revenues		
Property taxes	12,253,325	11,952,493
State aid - formula grants	7,715,189	6,067,967
Grants and contributions not restricted	81,238	484,511
Investment earnings	279,766	476,339
Miscellaneous	504,334	84,193
Total revenues	<u>25,730,532</u>	<u>23,753,317</u>
Expenses		
Instruction	12,910,936	12,052,165
Instructional resources and media services	305,573	281,347
Curriculum and staff development	313,820	223,553
Instructional leadership	422,638	422,749
School leadership	1,239,174	1,119,868
Guidance, counseling, and evaluation services	391,564	342,956
Social work services	55,614	51,521
Health services	249,016	222,300
Student transportation	1,062,788	1,043,326
Food service	1,353,681	1,269,161
Cocurricular/extracurricular activities	1,376,839	1,105,900
General administration	782,033	704,193
Facilities maintenance and operations	2,600,124	2,219,613
Security and monitoring services	135,767	95,535
Data processing services	643,612	396,101
Community services	125,184	89,184
Interest on long-term debt	1,346,968	1,104,090
Bond issuance costs and fees	4,350	150,893
Payments-fiscal agent	564,195	576,985
Other intergovernmental charges	211,586	313,271
Total expenses	<u>26,095,462</u>	<u>23,784,711</u>
Change in net position	(364,930)	(31,394)
Net position, beginning	373,672	405,066
Net position, ending	<u>\$ 8,742</u>	<u>\$ 373,672</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$10,022,608, a decrease of \$6,571,909 in comparison with the prior year. Approximately 60 percent of this total amount (\$6,001,270) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance is nonspendable, restricted, or assigned to indicate that it is not available for new spending because it has already been 1) used to purchase inventories and food services (\$88,271), 2) restricted to pay debt service (\$673,967), 3) restricted for capital acquisition (\$930,683, or 4) for a variety of other restricted purposes (\$151,855). The District's committed fund balance consists of campus activity funds (\$65,074). Assignments (\$2,111,488) reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds.

General Fund. The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,001,270, while total fund balance reached \$8,201,029. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 31 percent of total General Fund expenditures, while total fund balance represents 43 percent of that same amount.

The fund balance of the District's General Fund increased by \$561,922 during the current fiscal year. Key factors in this growth are as follows:

- Revenues totaled \$19,514,289 which is an 8 percent increase from previous year. Property tax collections increased \$217,398 due to higher appraised property values.
- Expenditures totaled \$19,177,327 which is a 10 percent increase from previous year.

Debt Service Fund. The Debt Service Fund has a total fund balance of \$673,967, all of which is reserved for the payment of debt service. The net increase in fund balance was \$4,016.

Capital Projects Fund. The Capital Projects Fund has a total fund balance of \$930,683. The net decrease in fund balance was \$7,061,231 due to ongoing construction projects.

Budgetary Highlights

The District adopts an annual appropriated budget for the General Fund, the National School Breakfast and Lunch Program, and the Debt Service Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with statutory requirements.

General Fund. The most significant fund for the District is the General Fund, funded primarily through local property tax revenue. The District’s budget amendments presented to the Board of Trustees throughout the year are summarized as follows:

- **Variance of original expenditure budget compared to amended budget.**
Budget amendments increased budgeted expenditures \$1,359,305 from the original approved budget.
- **Variances of amended budget to actual expenditures.**
Expenditures were \$1,105,376 less than final budgeted amounts.
- **Variances of original revenue budget compared to actual revenue**
Revenues were lower than the original budget by \$236,109.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the District had invested \$42.1 million in a broad range of capital assets, including land, construction in progress, buildings, and equipment. This amount represents a net increase of \$5,797,722 or 14 percent over last year. Major capital asset events conducted during the fiscal year included vehicles, roof repairs, security upgrades for the high school, athletic shed, copiers and construction on the new elementary building. Additional information on the District’s capital assets can be found in Note 8 of this report.

**Smithville Independent School District
Capital Assets**

	Governmental Activities	
	2020	2019
Land	\$ 856,905	\$ 856,905
Construction in Progress	6,959,074	229,354
Buildings and Improvements	56,944,051	57,540,263
Furniture and Equipment	5,275,981	4,680,806
Total at historical cost	70,036,011	63,307,328
Less accumulated depreciation	(27,982,117)	(27,051,156)
Net capital assets	\$ 42,053,894	\$ 36,256,172

Long-Term Debt

At the end of 2020, the District had \$40,880,535 in long-term liabilities which include general obligation bonds, unamortized bond premium and capital leases payable. The District’s long-term liabilities decreased by \$1,154,694.

Additional information on the District’s long-term debt can be found in Note 9 of this report.

**Smithville Independent School District
 Long-Term Debt**

	Governmental Activities	
	2020	2019
General obligation bonds	\$ 38,150,000	\$ 39,290,000
Unamortized bond premium	2,502,075	2,647,447
Capital leases payable	228,460	97,782
Total debt payable	\$ 40,880,535	\$ 42,035,229

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The District’s elected and appointed officials considered many factors when setting the fiscal year 2021 budget and tax rates. Those factors include property values, staffing trends, , changes in enrollment, attendance rates and patterns, the local and state economy and legislative mandates. Student enrollment for fiscal year 2021 is currently projected to be lower than normal due to Covid-19 pandemic concerns. The District will continue to study demographic trends that may impact special programs. Property values for ad valorem tax purposes have slightly increased for fiscal year 2021 as compared to fiscal year 2020. The Board approved an overall 2% raise for all professional staff and an overall 3% raise for clerical, para-professional and manual trades. The District’s total tax rate decreased from \$1.34835 to \$1.3103 per \$100 valuation. The Maintenance and Operations tax rate decreased to \$1.0253 and the Interest and Sinking tax rate increased from \$0.28 to \$0.285. District officials anticipate that the fund balances for the General and child nutrition funds will not materially change from fiscal year 2020 to fiscal year 2021. The Board approved utilizing fund balance from the Debt Service Fund to reduce bond payment obligations for the taxpayers.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District’s Business & Finance Department at P.O. Box 479, Smithville, TX 78957.

Data Control Codes		199	599
		General Fund	Debt Service Fund
Revenues			
5700	Local and intermediate sources	\$ 10,406,130	\$ 2,597,185
5800	State program revenues	8,649,576	25,102
5900	Federal program revenues	458,583	-
5020	Total revenues	<u>19,514,289</u>	<u>2,622,287</u>
Expenditures			
Current			
0011	Instruction	9,949,202	-
0012	Instructional resources and media services	282,947	-
0013	Curriculum and staff development	206,836	-
0021	Instructional leadership	206,426	-
0023	School leadership	1,190,998	-
0031	Guidance, counseling, and evaluation services	358,883	-
0032	Social work services	47,239	-
0033	Health services	236,421	-
0034	Student transportation	960,206	-
0035	Food service	-	-
0036	Cocurricular/extracurricular activities	879,239	-
0041	General administration	750,555	-
0051	Facilities maintenance and operations	2,504,384	-
0052	Security and monitoring services	117,418	-
0053	Data processing services	529,845	-
0061	Community services	116,618	-
Debt service			
0071	Principal on long-term debt	61,057	1,140,000
0072	Interest on long-term debt	3,272	1,473,921
0073	Bond issuance costs and fees	-	4,350
Capital outlay			
0081	Facilities acquisition and construction	-	-
Intergovernmental			
0093	Payments-fiscal agent	564,195	-
0099	Other intergovernmental charges	211,586	-
6030	Total expenditures	<u>19,177,327</u>	<u>2,618,271</u>
Excess (Deficiency) of Revenues Over			
1100	(Under) Expenditures	<u>336,962</u>	<u>4,016</u>
Other financing sources (uses)			
7913	Proceeds from capital leases	224,960	-
7080	Total other financing sources (uses)	<u>224,960</u>	<u>-</u>
1200	Net change in fund balances	561,922	4,016
0100	Fund balances, beginning	7,639,107	669,951
3000	Fund balances, ending	<u>\$ 8,201,029</u>	<u>\$ 673,967</u>

See Notes to Financial Statements

Smithville Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Exhibit C-2)
Year Ended August 31, 2020

699 Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 113,127	\$ 417,112	\$ 13,533,554
-	524,089	9,198,767
-	1,877,546	2,336,129
<u>113,127</u>	<u>2,818,747</u>	<u>25,068,450</u>
-	1,288,970	11,238,172
-	-	282,947
-	78,912	285,748
-	178,690	385,116
-	-	1,190,998
-	-	358,883
-	4,119	51,358
-	-	236,421
-	493	960,699
-	1,208,238	1,208,238
-	100,425	979,664
-	-	750,555
-	30,061	2,534,445
-	8,955	126,373
-	-	529,845
-	-	116,618
-	-	1,201,057
-	-	1,477,193
-	-	4,350
7,174,358	-	7,174,358
-	-	564,195
-	-	211,586
<u>7,174,358</u>	<u>2,898,863</u>	<u>31,868,819</u>
<u>(7,061,231)</u>	<u>(80,116)</u>	<u>(6,800,369)</u>
-	3,500	228,460
-	3,500	228,460
(7,061,231)	(76,616)	(6,571,909)
7,991,914	293,545	16,594,517
<u>\$ 930,683</u>	<u>\$ 216,929</u>	<u>\$ 10,022,608</u>