

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, 2022. 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 \$838 thousand as a result of this period's operations.
- Total cost of all of the District's programs decreased \$1.2 million or 4.8% from prior year as a result of changes in assumptions related to other post-employment benefits rather than any reduction of programs offered.
- Governmental fund balances decreased \$17 thousand but General Fund expenditures for the fiscal period were \$327 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 a \$1.9 million at August 31, 2022 (See Table A-1). Of this amount, \$1.8 million is invested in capital assets, and \$1.6 million is restricted, leaving a deficit balance in unrestricted net position of \$1.4 million.

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

	Governmental Activities		Percentage Change
	8/31/22	8/31/21	
<i>Assets:</i>			
Cash and Investments	\$ 12,084,747	\$ 11,443,341	5.6%
Other Current Assets	1,218,843	2,431,392	-49.9%
Property and Equipment (net)	39,872,698	41,037,713	-2.8%
<i>Total Assets</i>	53,176,288	54,912,446	-3.2%
<i>Deferred Outflows</i>	2,196,212	2,568,497	-14.5%
<i>Liabilities</i>			
Current Liabilities	3,089,785	3,633,965	-15.0%
Long-term Liabilities	43,787,850	47,929,084	-8.6%
<i>Total Liabilities</i>	46,877,635	51,563,049	-9.1%
<i>Deferred Inflows</i>	6,583,276	4,843,889	35.9%
<i>Net Position:</i>			
Net Investment in Capital Assets	1,792,956	1,667,952	7.5%
Restricted	1,562,976	1,340,092	16.6%
Unrestricted	(1,444,343)	(1,934,039)	-25.3%
<i>Total Net Position</i>	\$ 1,911,589	\$ 1,074,005	78.0%

Changes in Net Position

The District's total revenues were \$25.3 million. A significant amount of this revenue, \$13.6 million or 53.6% comes from local taxes, \$11.2 million or 44.4% came from state, federal and local grants, while another \$508 thousand or 2.0% is related to charges for services.

The total cost of all programs and services was \$24.5 million; instruction and instruction related service costs were \$18.2 million or 74.3%.

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 Change
	2022	2021	
<i>Program Revenues:</i>			
Charges for Services	\$ 508,403	\$ 348,162	46.0%
Operating Grants & Contributions	3,832,825	4,094,708	-6.4%
Capital Grants & Contributions	-	-	0.0%
<i>General Revenues:</i>			
Property Taxes	13,573,987	13,184,885	3.0%
General Grants	6,978,227	8,674,884	-19.6%
Investment Earnings	98,913	33,517	195.1%
Miscellaneous	303,113	370,035	-18.1%
<i>Total Revenues</i>	25,295,468	26,706,191	-5.3%
<i>Expenses:</i>			
Instruction	11,672,863	12,597,181	-7.3%
Instructional Resources & Media	312,172	291,314	7.2%
Curriculum & Staff Development	337,682	370,292	-8.8%
Instructional Leadership	276,306	383,665	-28.0%
School Leadership	1,024,845	1,167,608	-12.2%
Guidance, Counseling, Evaluation	379,325	372,523	1.8%
Social Work Services	59,354	55,226	7.5%
Health Services	274,076	309,185	-11.4%
Student Transportation	1,040,206	1,060,561	-1.9%
Food Service	1,244,390	1,392,038	-10.6%
Extracurricular Activities	1,544,284	1,446,928	6.7%
General Administration	729,370	872,533	-16.4%
Plant Maintenance & Operations	2,710,897	2,352,788	15.2%
Security Services	112,345	88,696	26.7%
Data Processing Services	483,215	521,976	-7.4%
Community Services	128,076	119,635	7.1%
Interest on Long-Term Debt	1,295,615	1,329,919	-2.6%
Facilities Acquisition and Construction	76,855	163,764	-53.1%
Payments to Fiscal Agent	556,804	590,916	-5.8%
Other Intergovernmental Charges	199,204	191,718	3.9%
<i>Total Expenses</i>	24,457,884	25,678,466	-4.8%
<i>Increase (Decrease) in Net Position</i>	837,584	1,027,725	
<i>Beginning Net Position</i>	1,074,005	46,280	
<i>Ending Net Position</i>	\$ 1,911,589	\$ 1,074,005	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$26.4 million, a decrease of \$108 thousand compared to the preceding period. The District experienced increases in local revenues but a decrease in state and federal revenues.

Expenditures from governmental fund types totaled \$26.4 million, an increase of \$728 thousand compared to the preceding period. This increase is primarily made up of increases in Instruction, Extracurricular Activities, and Plant Maintenance and Operations 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 \$327 thousand less than the final budgeted expenditures. Combined with revenues, the General Fund balance decreased \$464 thousand less than anticipated in the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2022, the District had invested \$70.4 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 two passenger buses 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	-	6,050
Buildings and Improvements	63,894,747	139,369	-	64,034,116
Vehicles	3,074,133	237,354	(16,103)	3,295,384
Equipment	1,682,378	680,883	(338,551)	2,024,710
Right of Use Assets	228,460	-	-	228,460
Less: Accumulated Depreciation	<u>(28,698,910)</u>	<u>(2,228,671)</u>	<u>354,654</u>	<u>(30,572,927)</u>
Total Capital Assets	<u>\$ 41,037,713</u>	<u>\$ (1,165,015)</u>	<u>\$ -</u>	<u>\$ 39,872,698</u>

Land and Construction in progress are not depreciated.

Long Term Debt

At period-end the District owed \$38.1 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 2023 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 2023 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.
- Property values for ad valorem tax purposes have dramatically increased for fiscal year 2023 from 11.64% in fiscal year 2022 to 31.92%.
- The Board approved an overall 3% raise for all professional staff and a 5% raise for clerical, para-professional and manual trades. The Board also approved \$1,000 retention stipends to be paid to all employees, at the completion of each semester.
- The District's total tax rate decreased from \$1.2003 to \$1.1029 per \$100 valuation. The Maintenance and Operations tax rate decreased to \$0.9429 and the Interest & Sinking tax rate decreased from \$0.24 to \$0.16.
- District officials anticipate that the fund balances for the General and Child Nutrition funds will not materially change from fiscal year 2022 to fiscal year 2023.
- 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, 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, 2022

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund
REVENUES:				
5700	Local and Intermediate Sources	\$ 11,255,191	\$ 2,697,955	\$ 294
5800	State Program Revenues	8,086,196	23,509	-
5900	Federal Program Revenues	588,101	-	-
5020	<i>Total Revenues</i>	<u>19,929,488</u>	<u>2,721,464</u>	<u>294</u>
EXPENDITURES:				
0011	Instruction	10,559,158	-	-
0012	Instructional Resources and Media Services	308,106	-	-
0013	Curriculum and Staff Development	236,739	-	-
0021	Instructional Leadership	172,015	-	-
0023	School Leadership	1,121,102	-	-
0031	Guidance, Counseling, & Evaluation Services	374,242	-	-
0032	Social Work Services	52,112	-	-
0033	Health Services	270,009	-	-
0034	Student Transportation	1,113,216	-	-
0035	Food Service	-	-	-
0036	Cocurricular/Extracurricular Activities	957,645	-	-
0041	General Administration	790,426	-	-
0051	Plant Maintenance and Operations	2,583,903	-	-
0052	Security and Monitoring Services	176,095	-	-
0053	Data Processing Services	442,424	-	-
0061	Community Services	127,059	-	-
0071	Principal on Long-Term Debt	43,696	1,210,000	-
0072	Interest on Long-Term Debt	7,154	1,412,600	-
0073	Bond Issuance Costs and Fees	-	3,000	-
0081	Facilities Acquisition and Construction	-	-	89,557
0093	Payments to Fiscal Agent	556,804	-	-
0099	Other Intergovernmental Charges	199,204	-	-
6030	<i>Total Expenditures</i>	<u>20,091,109</u>	<u>2,625,600</u>	<u>89,557</u>
1200	Net Change in Fund Balances	(161,621)	95,864	(89,263)
0100	Fund Balances - Beginning	9,570,501	878,968	89,263
3000	Fund Balances - Ending	<u>\$ 9,408,880</u>	<u>\$ 974,832</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

Other Nonmajor Governmental Funds	98 Total Governmental Funds
\$ 418,198	\$ 14,371,638
355,037	8,464,742
<u>2,969,896</u>	<u>3,557,997</u>
<u>3,743,131</u>	<u>26,394,377</u>
1,428,008	11,987,166
4,066	312,172
199,293	436,032
170,818	342,833
15,031	1,136,133
5,083	379,325
7,242	59,354
4,066	274,075
16,827	1,130,043
1,319,259	1,319,259
296,993	1,254,638
7,116	797,542
125,650	2,709,553
-	176,095
4,854	447,278
1,017	128,076
-	1,253,696
-	1,419,754
-	3,000
-	89,557
-	556,804
-	199,204
<u>3,605,323</u>	<u>26,411,589</u>
137,808	(17,212)
<u>340,400</u>	<u>10,879,132</u>
<u>\$ 478,208</u>	<u>\$ 10,861,920</u>