

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, 2024. 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 \$1.4 million as a result of this period's operations.
- Total cost of all of the District's programs increased \$2.0 million or 7.7% from prior year primarily as a result of increased costs related to instruction.
- Governmental fund balances increased \$816 thousand and General Fund expenditures for the fiscal period were \$518 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 \$4.0 million at August 31, 2024 (See Table A-1). Of this amount, \$1.8 million is invested in capital assets, and \$1.6 million is restricted, leaving a balance in unrestricted net position of \$557 thousand.

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

	Governmental Activities		Percentage Change
	8/31/24	8/31/23	
<i>Assets:</i>			
Cash and Investments	\$ 11,950,271	\$ 13,919,121	-14.1%
Other Current Assets	2,350,468	1,264,420	85.9%
Property and Equipment (net)	37,001,867	38,274,714	-3.3%
<i>Total Assets</i>	<u>51,302,606</u>	<u>53,458,255</u>	-4.0%
<i>Deferred Outflows</i>	<u>2,956,277</u>	<u>3,231,196</u>	-8.5%
<i>Liabilities</i>			
Current Liabilities	2,722,005	4,366,433	-37.7%
Long-term Liabilities	42,044,898	43,805,777	-4.0%
<i>Total Liabilities</i>	<u>44,766,903</u>	<u>48,172,210</u>	-7.1%
<i>Deferred Inflows</i>	<u>5,456,623</u>	<u>5,867,130</u>	-7.0%
<i>Net Position:</i>			
Net Investment in Capital Assets	1,835,569	1,626,166	12.9%
Restricted	1,643,245	1,565,702	5.0%
Unrestricted	556,543	(541,757)	202.7%
<i>Total Net Position</i>	<u>\$ 4,035,357</u>	<u>\$ 2,650,111</u>	52.3%

Changes in Net Position

The District's total revenues were \$28.9 million. A significant amount of this revenue, \$13.5 million or 47.0% comes from local taxes, \$14.7 million or 51.0% came from state, federal and local grants, while another \$584 thousand or 2.0% is related to charges for services.

The total cost of all programs and services was \$27.5 million; instruction and instruction related service costs were \$21.4 million or 77.6%.

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
	2024	2023	
<i>Program Revenues:</i>			
Charges for Services	\$ 583,930	\$ 594,339	-1.8%
Operating Grants & Contributions	4,251,900	3,395,426	25.2%
<i>General Revenues:</i>			
Property Taxes	13,582,849	16,339,058	-16.9%
General Grants	9,113,180	4,496,177	102.7%
Investment Earnings	829,479	816,690	1.6%
Miscellaneous	538,628	644,559	-16.4%
<i>Total Revenues</i>	<u>28,899,966</u>	<u>26,286,249</u>	9.9%
<i>Expenses:</i>			
Instruction	13,275,238	12,350,708	7.5%
Instructional Resources & Media	291,287	292,183	-0.3%
Curriculum & Staff Development	538,688	408,329	31.9%
Instructional Leadership	530,754	431,446	23.0%
School Leadership	1,163,225	1,014,668	14.6%
Guidance, Counseling, Evaluation	921,916	431,924	113.4%
Social Work Services	59,905	55,203	8.5%
Health Services	248,624	279,395	-11.0%
Student Transportation	1,154,990	1,117,526	3.4%
Food Service	1,588,520	1,455,246	9.2%
Extracurricular Activities	1,586,266	1,457,629	8.8%
General Administration	970,341	803,965	20.7%
Plant Maintenance & Operations	2,792,439	2,672,464	4.5%
Security Services	300,644	261,090	15.1%
Data Processing Services	486,692	449,715	8.2%
Community Services	119,517	106,773	11.9%
Interest on Long-Term Debt	1,215,003	1,257,199	-3.4%
Payments to Fiscal Agent	20,681	475,546	-95.7%
Other Intergovernmental Charges	249,989	226,718	10.3%
<i>Total Expenses</i>	<u>27,514,719</u>	<u>25,547,727</u>	7.7%
<i>Increase (Decrease) in Net Position</i>	1,385,247	738,522	
<i>Beginning Net Position</i>	2,650,111	1,911,589	
<i>Ending Net Position</i>	<u>\$ 4,035,358</u>	<u>\$ 2,650,111</u>	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$29.1 million, an increase of \$2.3 million compared to the preceding period. The District experienced decreases in local revenues due to lower property tax rate and appraised values but a significant increase in state revenues due to higher state funding allotment.

Expenditures from governmental fund types totaled \$28.3 million, an increase of \$1.9 million compared to the preceding period. This increase is primarily made up of increases in Instruction and Guidance and Counseling services 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 \$518 thousand less than the final budgeted expenditures. Combined with revenues, the General Fund balance increased \$1.3 million more than anticipated in the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2024, the District had invested \$71.9 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 two passenger buses, walk in freezer, scoreboards and security fencing.

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	38,253	164,651	(202,904)	-
Buildings and Improvements	64,313,362	480,285	202,904	64,996,551
Vehicles	3,338,993	308,235	(25,117)	3,622,111
Equipment	2,125,002	20,943	-	2,145,945
Right of Use Assets	228,460	-	-	228,460
Less: Accumulated Depreciation	<u>(32,626,261)</u>	<u>(2,246,961)</u>	<u>25,117</u>	<u>(34,848,105)</u>
Total Capital Assets	<u>\$ 38,274,714</u>	<u>\$ (1,272,847)</u>	<u>\$ -</u>	<u>\$ 37,001,867</u>

Land and Construction in progress are not depreciated.

Long Term Debt

At period-end the District owed \$35.2 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 2025 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 2025 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 District's total tax rate decreased from \$0.9676 to \$0.9425 per \$100 valuation. The Maintenance and Operations tax rate decreased to \$0.7625 and the Interest & Sinking tax rate remained at \$0.18.
- District officials anticipate that the fund balances for the General, Child Nutrition and Debt Service funds will not materially change from fiscal year 2024 to fiscal year 2025.

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.

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SMITHVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Nonmajor Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 12,209,954	\$ 2,730,276	\$ 538,159	\$ 15,478,389
5800 State Program Revenues	9,312,246	360,770	485,952	10,158,968
5900 Federal Program Revenues	307,630	-	3,192,734	3,500,364
5020 <i>Total Revenues</i>	<u>21,829,830</u>	<u>3,091,046</u>	<u>4,216,845</u>	<u>29,137,721</u>
EXPENDITURES:				
0011 Instruction	10,677,224	-	1,519,785	12,197,009
0012 Instructional Resources and Media Services	284,632	-	6,656	291,288
0013 Curriculum and Staff Development	154,301	-	431,485	585,786
0021 Instructional Leadership	482,773	-	71,645	554,418
0023 School Leadership	1,175,286	-	24,412	1,199,698
0031 Guidance, Counseling, & Evaluation Services	587,774	-	353,092	940,866
0032 Social Work Services	58,381	-	1,524	59,905
0033 Health Services	242,444	-	6,180	248,624
0034 Student Transportation	1,223,008	-	26,877	1,249,885
0035 Food Service	-	-	1,663,456	1,663,456
0036 Cocurricular/Extracurricular Activities	1,162,236	-	228,475	1,390,711
0041 General Administration	984,761	-	9,409	994,170
0051 Plant Maintenance and Operations	2,871,007	-	96,363	2,967,370
0052 Security and Monitoring Services	252,023	-	150,029	402,052
0053 Data Processing Services	464,375	-	5,358	469,733
0061 Community Services	135,148	-	1,528	136,676
0071 Principal on Long-Term Debt	51,664	1,305,000	-	1,356,664
0072 Interest on Long-Term Debt	3,423	1,336,500	-	1,339,923
0073 Bond Issuance Costs and Fees	-	2,475	-	2,475
0093 Payments to Fiscal Agent	20,681	-	-	20,681
0099 Other Intergovernmental Charges	249,989	-	-	249,989
6030 <i>Total Expenditures</i>	<u>21,081,130</u>	<u>2,643,975</u>	<u>4,596,274</u>	<u>28,321,379</u>
1200 Net Change in Fund Balances	748,700	447,071	(379,429)	816,342
0100 Fund Balances - Beginning	9,792,713	924,861	533,853	11,251,427
3000 Fund Balances - Ending	<u>\$ 10,541,413</u>	<u>\$ 1,371,932</u>	<u>\$ 154,424</u>	<u>\$ 12,067,769</u>

The accompanying notes are an integral part of this statement.

