

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Gregory-Portland Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2025. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$317,248,102 at August 31, 2025. Of this amount 250,502,110 may be used to meet the District's needs.
- As of the close of the current fiscal year, the District's general fund reported combined ending fund balance of \$161,009,100. Approximately 40 percent of this total, \$64,247,062, is available for spending at the government's discretion (unassigned).
- The total cost of the District's programs increased by approximately \$5,917,232 compared to the prior year, primarily due to employee compensation increases—including a retention stipend—higher maintenance and operations expenses, and capital improvement costs associated with voter-approved bond programs.

### 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.
- We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities, such as the District's self-insurance programs and stock.
- *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.

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. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1F, Required Components of the District's Annual Financial Report

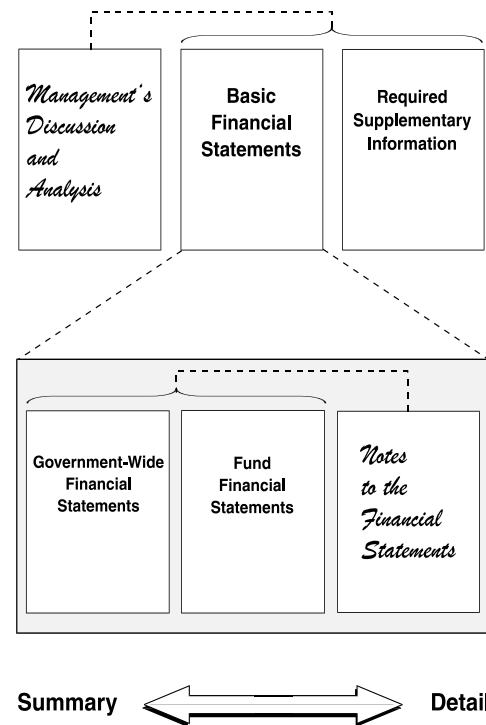


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of 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 assets includes all of the government's assets and liabilities. All of the current year'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 assets and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need 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 three kinds of 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 and (2) the balances left at year-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.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Government-wide	Governmental Funds	Fund Statements	
	Proprietary Funds	Fiduciary Funds		
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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	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	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

- We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities.
- *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—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net position

The District's combined net position was approximately \$317,248,102 at August 31, 2025. (See Table A-1).

The total district liability is reported in the governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the TRS-Care plan is funded on a pay-as-you-go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors.

Table A-1 The District's Net Assets			
	Governmental Activities		Total Change
	2025	2024	
<b>Assets:</b>			
Current and Other Assets	\$ 456,252,352	\$ 339,373,971	\$ 116,878,381
Capital and Non-Current	404,569,258	309,385,906	95,183,352
<b>Total Assets</b>	<b>860,821,610</b>	<b>648,759,877</b>	<b>212,061,733</b>
<b>Deferred Outflows Related to Pensions and OPEB</b>			
	13,096,000	15,158,166	(2,062,166)
Current Liabilities	25,798,945	14,394,978	11,403,967
Noncurrent Liabilities	486,715,677	319,535,915	167,179,762
Net Pension Liability	20,134,088	22,246,821	(2,112,733)
Net OPEB Liability	12,977,230	9,300,681	3,676,549
<b>Total Liabilities</b>	<b>545,625,940</b>	<b>365,478,395</b>	<b>180,147,545</b>
<b>Deferred Inflows Related to Pensions and OPEB</b>			
	11,043,568	14,304,125	(3,260,557)
<b>Net Position</b>			
Net Investment in Capital Assets	64,414,578	174,360,758	(109,946,180)
Restricted	2,331,414	2,580,384	(248,970)
Unrestricted	250,502,110	107,194,380	143,307,730
<b>Total Net Position</b>	<b>\$ 317,248,102</b>	<b>\$ 284,135,522</b>	<b>\$ 33,112,580</b>

Q

**Changes in net position** The District's total revenues were \$137,865,579. A significant portion, 71%, of the District's revenue comes from taxes.

The total cost of all programs and services was \$101,149,118; 52% of these costs are for direct student services, which include: instruction; instructional resources; guidance and counseling; social services; health services and co-curricular activities.

The District's government-wide financial statements reflect a year of significant, planned capital activity and continued growth. During the fiscal year, voters approved a \$205 million bond program, and the District also advanced approximately \$150 million in construction funded through prior Bond 2020 and Bond 2023 authorizations. As a result, total assets increased substantially, driven primarily by capital investments and construction in progress. Despite ongoing legislative property tax compression, local tax revenues continued to grow due to sustained increases in taxable property values, steady enrollment growth, and continued receipt of revenue protection payments under Chapter 313 agreements executed prior to statutory changes. These factors collectively contributed to an overall increase in the District's net position.

Consistent with the requirements of GASB Statement No. 34, as well as GASB Statements No. 68 and No. 75 related to pensions and other post-employment benefits, the District also recognized increases in long-term liabilities associated with voter-approved bond issuances and required pension and OPEB reporting. While the District is classified as a high-wealth district under Chapter 49 and is preparing for increased recapture obligations in future years, the year-over-year improvement in net position indicates that asset growth outpaced liability growth during the fiscal year. Management believes the District remains in a sound financial position, with the reported changes primarily attributable to strategic capital improvements, statutory revenue structures, and required GASB accounting treatments rather than operational or fiscal distress.

### **Governmental Activities**

For the year ending August 31, 2025, the Board of Trustees adopted a Maintenance & Operating tax rate of \$.7646 and an Interest & Sinking tax rate of \$0.34 cents.

Left Blank Intentionally

**Table A-2**  
**Changes in the District's Net Assets**

	Governmental Activities		Total Change
	2025	2024	
<b>Program Revenues:</b>			
Charges for Services	\$ 417,737	\$ 398,180	\$ 19,557
Operating Grants and Contributions	11,356,733	12,930,860	(1,574,127)
<b>General Revenues</b>			
Property Taxes	85,732,416	66,932,050	18,800,366
State Aid – Formula	16,836,413	26,172,246	(9,335,833)
Investment Earnings	14,359,297	19,378,127	(5,018,830)
Chapter 313 Payments	11,605,095	18,483,213	(6,878,118)
Other	(2,442,112)	314,457	(2,756,569)
Special Items	-	4,755,210	(4,755,210)
<b>Total Revenues</b>	<b>137,865,579</b>	<b>149,364,343</b>	<b>(11,498,764)</b>
<b>Instruction</b>	<b>44,983,553</b>	<b>42,787,065</b>	<b>2,196,488</b>
Instructional Resources and Media Services	537,499	539,078	(1,579)
Curriculum Dev. And Instructional Staff Dev.	2,050,359	1,671,430	378,929
Instructional Leadership	803,469	1,131,360	(327,891)
School Leadership	4,399,917	3,863,679	536,238
Guidance, Counseling and Evaluation Services	2,496,851	2,263,250	233,601
Social Work Services	321,194	315,030	6,164
Health Services	830,747	637,607	193,140
Student (Pupil) Transportation	2,086,151	1,838,969	247,182
Food Services	4,809,226	4,360,281	448,945
Curricular/Extracurricular Activities	3,601,252	2,973,871	627,381
General Administration	4,013,771	3,799,252	214,519
Plant Maintenance & Oper.	14,137,477	11,937,723	2,199,754
Security & Monitoring Svcs.	1,257,184	1,150,472	106,712
Data Processing Services	2,167,766	2,178,642	(10,876)
Community Services	87,593	72,197	15,396
Debt Service	11,295,947	11,206,164	89,783
Capital Outlay	324,814	1,711,386	(1,386,572)
Other Intergovernmental Charges	944,348	794,430	149,918
<b>Total Expenses</b>	<b>101,149,118</b>	<b>95,231,886</b>	<b>5,917,232</b>
Changes in Net Position	36,716,461	54,132,457	(17,415,996)
Prior Period Adjustment	(3,603,882)		(3,603,882)
<b>Net Position Beginning</b>	<b>284,135,523</b>	<b>230,003,066</b>	<b>54,132,457</b>
<b>Ending Net Assets</b>	<b>\$ 317,248,102</b>	<b>\$ 284,135,523</b>	<b>\$ 33,112,579</b>

Table A-3 presents the cost of each of the District's largest functions.

- The cost of all *governmental* activities this year was \$101,149,118.
- However, the amount that our taxpayers paid for these activities through property taxes was \$85,732,416.
- Some of the cost was paid by those who directly benefited from the programs; \$417,737 or
- By operating grants and contributions \$11,356,733.

**Table A-3**  
Net Cost of Selected District Functions  
(*in actual dollars*)

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2025	2024		2025	2024	
Instruction	\$ 44,983,553	\$ 42,787,065	4.88%	41,171,253	\$ 36,683,878	10.90%
School Leadership	4,399,917	3,863,679	12.19%	3,847,691	3,516,907	8.60%
Plant Maintenance & Operations	14,137,477	11,937,723	15.56%	13,451,400	11,210,143	16.66%
Debt Service	11,295,947	11,206,164	0.79%	9,153,898	11,206,164	-22.42%

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$143,444,652, a decrease of 1.79% from the preceding year of \$146,072,157. The decrease in revenue was due primarily to a reduction of Chapter 313 limitation agreement revenue protection and supplemental payments.

The District's change in net position for the fiscal year was primarily driven by growth in local revenues, offset by a reduction in state formula funding. While state aid declined as a result of continued property value growth and the District's classification as a Chapter 49 (recapture) district, local property tax revenues increased due to rising taxable values despite legislatively mandated tax rate compression. Additional revenue stability was provided through continued Chapter 313 revenue protection payments established prior to statutory changes, along with investment earnings. These revenue trends occurred during a year in which voters approved a \$205 million bond and the District continued to advance significant construction activity funded through Bond 2020 and Bond 2023, supporting enrollment growth and long-term facility needs.

Total expenses increased across several major functions, reflecting both economic conditions and District priorities. Instructional costs rose due to compensation increases for instructional staff and higher classroom-related costs, while school leadership and plant maintenance and operations increased as a result of inflationary pressures, expanded facilities, utilities, and contracted services. As reflected in the net cost of services, program revenues did not fully offset rising service costs in areas such as instruction and facilities operations, resulting in higher net costs borne by general revenues. Debt service costs also increased in connection with voter-approved bond issuances and ongoing capital projects. In accordance with GASB Statement No. 34, these changes are consistent with a growing school district investing in its workforce and infrastructure, and overall revenue growth was sufficient to exceed expense growth, resulting in a positive change in net position for the fiscal year.

## General Fund Budgetary Highlights

All revenue sources were above the final budget by \$7,356,962. Over the course of the year, the District revised its budget. Even with these adjustments, actual expenditures were \$51,534,996 below final budget amounts. Expenditures that were significantly below budget were primarily related to capital outlay allocations, as a prioritized fund balance expenditure was reclassified and accounted for through an alternative funding source—bond proceeds—following the approval of a reimbursement resolution for the all-purpose facility and fieldhouse.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2025, the District had invested a net \$404,569,258 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions, construction in progress, depreciation and adjustments) of \$95,183,351.

Table A-4 District's Capital Assets			
	Governmental Activities		
	2025	2024	Change
Land	\$ 4,106,096	\$ 4,106,096	\$ -
Construction in Progress	148,577,316	53,888,482	94,688,834
Buildings and improvements	285,924,990	284,753,889	1,171,101
Furniture and Equipment	24,581,071	23,469,152	1,111,919
Totals at historical cost	463,189,473	366,217,619	96,971,854
Total accumulated depreciation	58,620,215	56,831,712	1,788,503
Net capital assets	\$ 404,569,258	\$ 309,385,907	\$ 95,183,351

More detailed information about the District's capital assets is presented in Note D to the financial statements.

### Long Term Debt

At year-end the District had \$442,525,000 bonds outstanding as shown in Table A-5. More detailed information about the District's debt is presented in Note F to the Financial Statements.

Governmental Activities			
	2025	2024	
Premium	\$ 39,382,861	\$ 31,980,010	
Bonds payable	442,525,000	287,225,000	
Notes Payable	76,771	42,075	
SBITA Liability	225,410	288,830	
Compensated Absences	4,505,635	3,603,882	
Pension Payable	20,134,088	22,246,821	
OPEB Liability	12,977,230	9,300,681	
Total Long Term Debt	\$ 519,826,995	\$ 354,687,299	

The District implemented GASB Statement No. 101 during the year ended 2025. A prior period adjustment of \$3,603,862 was required to record the beginning balance of the compensated absence liability for the year ended 2024.

The adoption of Statement No. 101 has no impact on the District's governmental fund financial statements, which continue to report leave expenditures as they are incurred during the course of the year. However, the adoption has resulted in reporting in the government-wide financial statements to reflect the net compensated absence liability and deferred inflows of resources and deferred outflows of resources for its qualified plan and the recognition of expense in accordance with the provisions of the Statement.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

### **Budget Planning Assumptions and Financial Considerations**

In developing the District's 2025–2026 budget, administration considered multiple financial, legislative, and operational factors in accordance with the Texas Education Code (TEC), applicable legislative actions, and Board priorities. Key planning assumptions include:

- A reduction in taxable appraised property values used for Maintenance & Operations (M&O) budget preparation of approximately \$543 million, or 11 percent, from the prior year's estimated value.
- Projected Average Daily Attendance (ADA) of 4,572 students, consistent with conservative enrollment forecasting practices.
- An increase in general operating fund expenditures per ADA student from approximately \$12,400 to \$13,000, reflecting inflationary pressures, programmatic needs, and strategic investments.
- An increase in the starting teacher salary to \$63,000, maintaining the highest starting salary in Region 2 and supporting recruitment and retention efforts.
- Comprehensive needs assessments conducted by campus, department, and district leadership, aligned with instructional priorities, operational requirements, and long-term strategic goals.

### **Revenue Overview and Legislative Impacts**

Amounts available for appropriation in the 2025–2026 General Fund total \$70.1 million, representing a 4.4 percent increase from the original 2024–2025 budget of \$67.1 million.

Total local revenue is projected to decrease by approximately \$7.9 million, driven primarily by declining M&O property values and a reduction in payments associated with Chapter 313 agreements. Conversely, state revenue sources are expected to increase by approximately \$25.2 million compared to the prior year budget, largely attributable to:

- Legislative action under House Bill 2 (88th Legislature);
- Increased state aid resulting from reduced local property values;
- Continued impacts of Chapter 313 tax credits and supplemental payments;
- Growth in Teacher Incentive Allotment (TIA) funding;
- Increased weighted funding related to special programs and enrollment adjustments under TEC Chapter 48.

The District continues to receive supplemental and tax revenue loss payments associated with active Chapter 313 agreements. These payments are anticipated to provide continued support to the District's fund balance through approximately 2027. Additionally, effective January 1, 2023, the Texas Legislature enacted House Bill 5, Chapter 403, establishing a successor program to Chapter 313 following its expiration on December 31, 2022.

### **Chapter 49 (Recapture) Considerations**

For the 2025–2026 fiscal year, the District was notified by the Texas Education Agency (TEA) that its Tier One local share under TEC §48.256 will exceed its entitlement under TEC §48.266(a)(1), and/or its Tier Two local share under TEC §48.266(a)(5)(B) will exceed the amount described in TEC §48.202(a-1)(2). As a result, the District is classified as a property-wealthy school district under Chapter 49.

TEA has estimated the District's excess local revenue subject to recapture at approximately \$922,100. In response, the District elected to purchase Average Daily Attendance (ADA) credits, as authorized under state law, to reduce its local revenue level while maintaining funding stability.

### **Expenditure Overview and Staffing Investments**

General Fund expenditures for the 2025–2026 fiscal year are projected to increase by 5.8 percent, totaling \$70.1 million. Payroll and benefits remain the District's largest expenditure category, accounting for approximately 95 percent of the General Fund budget.

In alignment with House Bill 2, the Board of Trustees approved staff compensation adjustments for the 2025–2026 school year, including legislatively mandated raises where applicable. Additionally, the Board approved:

- A 1 percent salary increase, based on applicable midpoint calculations, for employee groups not covered under HB 2; and
- A \$2,500 one-time pay increase for all eligible staff.
- Operational Cost Pressures and Capital Maintenance

Expenditures are expected to continue rising due to several factors, including competitive compensation demands, evolving curriculum requirements, enhanced safety and security measures, aging facilities, inflationary pressures, and increasing market costs. The District has also allocated funding to complete essential maintenance projects already underway, ensuring that critical facility improvements are addressed during the 2025–2026 fiscal year.

## Financial Stewardship and Governance

The Board of Trustees continues to demonstrate strong support for senior district leadership, emphasizing fiscal responsibility, transparency, and long-term sustainability. The District applies conservative financial assumptions when projecting enrollment and property valuation trends, ensuring that expenditures remain aligned with anticipated revenues and that resources are strategically allocated to support student outcomes, operational efficiency, and future growth.

## **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, contact the District's Assistant Superintendent for Business-Finance & Operations.