

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2025*



**Davis, Heinemann & Company, P.C.**

*Certified Public Accountants*

1300 11th Street Suite 500

Huntsville, Texas 77340

(936) 291-3020

*Introductory Section*

*This page has been left blank intentionally.*

North Zulch Independent School District  
 Annual Financial Report  
 For The Year Ended August 31, 2025

TABLE OF CONTENTS

Page   Exhibit

**INTRODUCTORY SECTION**

Certificate of Board.....	1
---------------------------	---

**FINANCIAL SECTION**

Independent Auditor's Report.....	2
Management's Discussion and Analysis (Required Supplementary Information).....	5

**Basic Financial Statements**

Government-wide Financial Statements:		
Statement of Net Position.....	11	A-1
Statement of Activities.....	12	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	14	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	15	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	16	C-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	17	E-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	18	E-2
Notes to the Financial Statements .....	19	

**Required Supplementary Information**

Budgetary Comparison Schedules:

General Fund.....	42	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System of Texas.....	43	G-2
Schedule of District's Contributions - Teacher Retirement System of Texas.....	45	G-3
Schedule of the District's Proportionate Share of the		
Net OPEB Liability - Teacher Retirement System of Texas.....	47	G-4
Schedule of the District's OPEB Contributions - Teacher Retirement System of Texas...	49	G-5
Notes to Required Supplementary Information.....	51	

**Combining Statements as Supplementary Information:**

Special Revenue Funds:

Combining Balance Sheet - Nonmajor Special Revenue Funds.....	52	H-1
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	53	H-2

North Zulch Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2025

TABLE OF CONTENTS

Page   Exhibit

OTHER SUPPLEMENTARY INFORMATION SECTION

Schedule of Delinquent Taxes Receivable.....	55	J-1
Use of Funds Report - Select State Allotment Program .....	57	J-2
Budgetary Comparison Schedules Required by the Texas Education Agency.....		
National School Breakfast and Lunch Program.....	58	J-3
Debt Service Fund.....	59	J-4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	60	
Schedule of Findings and Questioned Costs .....	62	
Summary Schedule of Prior Audit Findings.....	63	
Schedule of Required Responses to Selected School First Indicators.....	64	K-1

CERTIFICATE OF BOARD

North Zulch Independent School District  
Name of School District

Madison  
County

154-903  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2025, at a meeting of the board of trustees of such school district on the 15<sup>th</sup> day of San, 2026.

  
Signature of Board Secretary

  
Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):  
(attach list as necessary)

This page is left blank intentionally.

*Financial Section*

*This page has been left blank intentionally.*



## DAVIS, HEINEMANN & COMPANY, P.C.

*CERTIFIED PUBLIC ACCOUNTANTS*

1300 11TH STREET, SUITE 500

P.O. BOX 6308

HUNTSVILLE, TEXAS 77342

PHONE (936) 291-3020

FAX (936) 291-9607

### **Independent Auditor's Report**

To the Board of Trustees  
North Zulch Independent School District  
P. O. Box 158  
North Zulch, Texas 77872

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Zulch Independent School District ("the District"), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the North Zulch Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Zulch Independent School District, as of August 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Zulch Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North Zulch Independent School District's ability to continue as a going concern for twelve months beyond the financial statement issuance date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Zulch Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic

financial statements. The combining and individual nonmajor fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Information Included in the Annual Report**

Management is responsible for the other information included in the annual report. The other information as identified in the table of contents comprises the information included in the annual report but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2025 on our consideration of North Zulch Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Zulch Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

*Davis, Heinemann & Co.*

Davis, Heinemann & Company, P.C.

Huntsville, Texas  
December 29, 2025

*This page has been left blank intentionally.*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of North Zulch 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 \$7,666,150 on August 31, 2025.
- During the year, the District's expenses were \$246,655 more than the \$6,560,184 generated in local, state and federal revenues for government-wide activities.
- The total cost of the District's programs were \$6,806,839 which is \$114,373 more than the previous year.
- The general fund reported a fund balance this year of \$3,555,020.

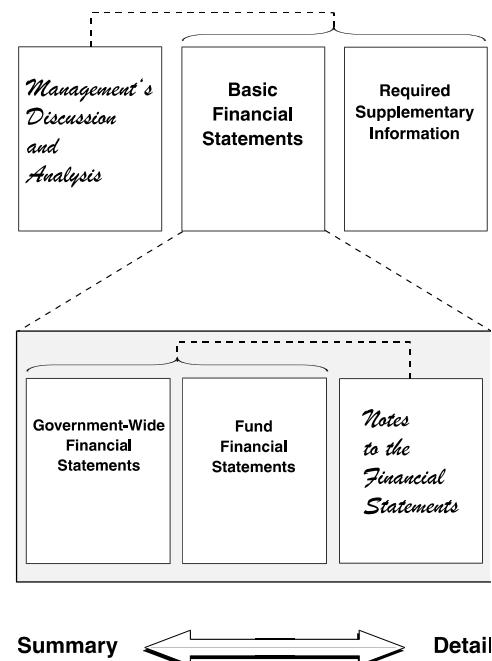
### OVERVIEW OF THE FINANCIAL STATEMENTS

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.

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



### 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 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 position and how it has changed. Net position—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 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 non-financial 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 when applicable 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*—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.
- *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 position. We exclude this activity from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

### **FINANCIAL ANALYSIS OF THE DISTRICT WHOLE**

Net position. The District's combined net position was \$7,666.2 thousand at August 31, 2025. (See Table A-1)

**Table A-1**  
 North Zulch Independent School District's Net Position  
*(In thousands of dollars)*

	Governmental Activities		Change
	<u>2025</u>	<u>2024</u>	<u>2025-2024</u>
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 2,333.5	\$ 4,052.1	\$ (1,718.6)
Current Investments	1,933.0	951.0	982.0
Property Taxes Receivable	275.7	245.8	29.9
Due from Other Governments	129.3	337.3	(208.0)
Other Receivables (Net)	4.5	-	4.5
Inventories	3.5	3.6	(0.1)
Unrealized Expenses	1.3	6.7	(5.4)
<b>Total Current Assets</b>	<b><u>4,680.8</u></b>	<b><u>5,596.5</u></b>	<b><u>(915.7)</u></b>
<b>Noncurrent Assets:</b>			
Capital Assets	21,842.5	20,529.7	1,312.8
Less Accumulated Depreciation	(8,672.1)	(7,910.0)	(762.1)
Long-Term Investments	-	-	-
<b>Total Noncurrent Assets</b>	<b><u>13,170.4</u></b>	<b><u>12,619.7</u></b>	<b><u>550.7</u></b>
<b>Total Assets</b>	<b><u>17,851.2</u></b>	<b><u>18,216.2</u></b>	<b><u>(365.0)</u></b>
 <b>Deferred Outflows Related to Pensions</b>			
Deferred Outflows Related to OPEB	482.4	701.8	(219.4)
<b>Deferred Outflows of Resources</b>	<b><u>909.5</u></b>	<b><u>791.1</u></b>	<b><u>118.4</u></b>
	<b><u>1,391.9</u></b>	<b><u>1,492.9</u></b>	<b><u>(101.0)</u></b>
 <b>Current Liabilities:</b>			
Accounts Payable	13.3	32.8	(19.5)
Interest Payable	10.3	12.7	(2.4)
Accrued Liabilities	210.4	206.6	3.8
Unearned Revenue	5.0	18.6	(13.6)
Long-term Liabilities Due Within One Year	429.8	367.0	62.8
<b>Total Current Liabilities</b>	<b><u>668.8</u></b>	<b><u>637.7</u></b>	<b><u>31.1</u></b>
<b>Long-Term Liabilities:</b>			
Due in More Than One Year	6,731.7	6,844.8	(113.1)
Net Pension Liability	1,594.3	1,657.4	(63.1)
Net OPEB Liability	1,212.2	905.1	307.1
<b>Total Long-Term Liabilities</b>	<b><u>9,538.2</u></b>	<b><u>9,407.3</u></b>	<b><u>130.9</u></b>
<b>Total Liabilities</b>	<b><u>10,207.0</u></b>	<b><u>10,045.0</u></b>	<b><u>162.0</u></b>
 <b>Deferred Inflow Related to Deferred Charges</b>			
Deferred Inflow Related to Pensions	37.6	46.1	(8.5)
Deferred Inflow Related to OPEB	35.4	80.7	(45.3)
<b>Total Deferred Inflows of Resources</b>	<b><u>1,296.9</u></b>	<b><u>1,624.5</u></b>	<b><u>(327.6)</u></b>
	<b><u>1,369.9</u></b>	<b><u>1,751.3</u></b>	<b><u>(381.4)</u></b>
 <b>Net Position:</b>			
Invested in Capital Assets	6,536.3	5,434.5	1,101.8
Restricted for State and Federal Programs	97.7	174.3	(76.6)
Restricted for Debt Service	567.1	484.9	82.2
Unrestricted	465.1	1,819.1	(1,354.0)
<b>Total Net Position</b>	<b><u>\$ 7,666.2</u></b>	<b><u>\$ 7,912.8</u></b>	<b><u>\$ (246.6)</u></b>

Approximately \$567.1 thousand of the District's restricted net position represents resources restricted for the retirement of the District's long-term debt and \$97.7 thousand is restricted for federal and state programs. The \$465.1 thousand of unrestricted net position represents resources available to fund the programs of the District next year.

Expenditures increased about two (2) percent from the prior year. The majority of the increase was in school leadership expense. Cash and cash equivalents decreased from the prior year but investments increased almost \$1,000.0 thousand. The District entered into a Public Property Finance Act Contract in the amount of \$288.0 thousand to purchase two new buses. The balance of long-term debt at year end is \$6,634.1 thousand.

**Changes in net position.** The District's total revenues were \$6,560.2 thousand. A significant portion, thirty-nine (39) percent, of the District's revenue comes from taxes. Fifty-four (54) percent comes from state aid and federal grants, while seven (7) percent relates to charges for services, investment earnings and other income. Property tax revenue decreased six (6) percent from the prior year. The total cost of all programs and services was \$6,806.8 thousand. Fifty-one (51) percent of these costs are for student instruction.

**Table A-2**  
Changes in North Zulch Independent School District's Net Position  
(*In thousands of dollars*)

	Governmental Activities		Change
	<u>2025</u>	<u>2024</u>	<u>2025-2024</u>
<b>Program Revenues:</b>			
Charges for Services	\$ 81.8	\$ 79.3	\$ 2.5
Operating Grants and Contributions	852.6	943.6	(91.0)
<b>General Revenues</b>			
Property Taxes	2,561.2	2,722.0	(160.8)
State Aid – Formula	2,675.7	2,663.8	11.9
Investment Earnings	249.9	323.6	(73.7)
Miscellaneous	139.0	165.1	(26.1)
<b>Total Revenues</b>	<b>6,560.2</b>	<b>6,897.4</b>	<b>(337.2)</b>
<b>Program Expenditures:</b>			
Instruction	3,493.3	3,452.3	41.0
Instructional Resources and Media Services	39.5	74.2	(34.7)
Curriculum Dev and Instructional Staff Dev	30.3	17.5	12.8
School Leadership	347.6	282.9	64.7
Guidance, Counseling and Evaluation Services	97.7	94.3	3.4
Health Services	57.5	59.8	(2.3)
Student (Pupil) Transportation	180.3	199.1	(18.8)
Food Services	357.8	335.8	22.0
Curricular/Extracurricular Activities	386.6	349.0	37.6
General Administration	415.5	493.5	(78.0)
Plant Maintenance and Operations	761.2	707.1	54.1
Security and Monitoring Services	113.3	75.4	37.9
Data Processing Services	141.5	157.4	(15.9)
Interest on Long-term Debt	139.1	144.0	(4.9)
Bond Issuance Costs and Fees	3.5	1.3	2.2
Payments to Fiscal Agent/Member Dist. – SSA	129.3	123.3	6.0
Other Intergovernmental Charges	112.8	125.6	(12.8)
<b>Total Expenses</b>	<b>6,806.8</b>	<b>6,692.5</b>	<b>114.3</b>
<b>Excess (Deficiency) Before Other Resources, Uses and Transfers</b>			
	(246.6)	204.9	(451.5)
<b>Beginning Net Position</b>	<b>7,912.8</b>	<b>7,707.9</b>	<b>204.9</b>
<b>Ending Net Position</b>	<b>\$ 7,666.2</b>	<b>\$ 7,912.8</b>	<b>\$ (246.6)</b>

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

	Net Cost of Selected District Functions (in thousands of dollars)			Net Cost of Services		
	Total Cost of Services			Net Cost of Services		
	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>2025</u>	<u>2024</u>	<u>Change</u>
Instruction	\$ 3,493.3	\$ 3,452.3	\$ 41.0	\$ (3,027.9)	\$ (3,138.2)	\$ 110.3
School Administration	415.5	493.5	(78.0)	(415.5)	(472.0)	56.5
Plant Maintenance and Operations	761.2	707.1	54.1	(749.0)	(679.6)	(69.4)
Debt Service – Interest and Fiscal Charges	139.1	144.0	(4.9)	(77.1)	(94.5)	17.4

### **Governmental Activities**

With the issuance of bonds and notes, the District's tax rate is divided between maintenance and operations and interest and sinking. The tax rate for fiscal year 2025 is \$0.9484 with \$.7784 for the District operations and \$0.17 for the payment of debt.

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

- The cost of all *governmental* activities this year was \$6,806.8 thousand.
- However, the amount that our taxpayers paid for these activities through property taxes was \$2,561.1.
- Income paid by those directly benefiting from programs was \$81.8 thousand. Operating grants and contributions were \$852.6 thousand.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revised the General Fund budget. Actual expenditures were \$119.6 thousand under final budgeted amounts. The largest positive variance was due to spending less on capital asset acquisitions. Resources available were \$101.9 thousand over the final estimated amount. The largest positive variance was in state program revenues.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of 2025, the District had invested \$21,842.5 thousand in a broad range of capital assets, including land, construction in progress, equipment, buildings, and vehicles (See Table A-4).

**Table A-4**  
District's Capital Assets  
(in thousands of dollars)

	Governmental Activities		Change <u>2025-2024</u>
	<u>2025</u>	<u>2024</u>	
Land	\$ 72.4	\$ 72.4	\$ -
Construction In Progress	475.5	329.6	145.9
Buildings and Improvements	18,879.1	18,199.1	680.0
Vehicles	1,177.4	891.6	285.8
Equipment	1,147.3	989.0	158.3
Right-To-Use Assets	90.8	48.0	42.8
Totals at Historical Cost	<u>21,842.5</u>	<u>20,529.7</u>	<u>1,312.8</u>
Total Accumulated Depreciation	(8,672.1)	(7,910.0)	(762.1)
Net Capital Assets	<u><u>\$ 13,170.4</u></u>	<u><u>\$ 12,619.7</u></u>	<u><u>\$ 550.7</u></u>

## Long-Term Debt

At year end the District had outstanding debt as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

**Table A-5**  
District's Long-Term Debt  
(*In thousands of dollars*)

	Governmental Activities		Change <u>2025-2024</u>
	<u>2025</u>	<u>2024</u>	
Bonds Payable	\$ 5,960.0	\$ 6,275.0	\$ (315.0)
Premium on Bonds	500.8	552.3	(51.5)
Deferred Charges	37.6	46.1	(8.5)
Loans from Direct Borrowings	594.0	345.0	249.0
Compensated Absences	26.4	26.6	(0.2)
Right-To-Use Assets	80.1	13.0	67.1
Net Pension Liability	1,594.3	1,657.4	(63.1)
Net OPEB Liability	1,212.2	905.1	307.1
Total Long-Term Debt	\$ <u>10,005.4</u>	\$ <u>9,820.5</u>	\$ <u>184.9</u>

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

- Appraised value used for fiscal year 2026 budget preparation is \$252,739,168 which is about a seven (7) percent decrease from the prior year.
- The maintenance and operations tax rate for fiscal year 2026 is \$0.7251 and the debt service tax rate is \$0.17.
- The District's projected refined average daily attendance for 2026 is expected to be 301 indicating a two (2) percent decrease from fiscal year 2025.

These indicators were considered when adopting the general fund budget for fiscal year 2025. Amounts available for appropriation in the general fund budget are \$5,574.7 thousand. Property tax revenues are projected to decrease due to a decrease in assessed property values. State revenue is also estimated to increase due to the program allotments.

The District's budgetary general fund balance is expected to decrease due to finalizing state safety mandates and capital outlay projects.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, 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 administration office.

*Basic Financial Statements*

*This page has been left blank intentionally.*

## NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF NET POSITION

AUGUST 31, 2025

1

Data Control Codes	Governmental Activities
<b>ASSETS:</b>	
1110 Cash and Cash Equivalents	\$ 2,333,500
1120 Current Investments	1,933,000
1225 Property Taxes Receivable (Net)	275,698
1240 Due from Other Governments	129,300
1290 Other Receivables (Net)	4,476
1300 Inventories	3,523
1410 Unrealized Expenses	1,331
Capital Assets:	
1510 Land	72,355
1520 Buildings and Improvements, Net	11,432,292
1530 Furniture and Equipment, Net	1,108,613
1550 Right to Use Assets, Net	81,702
1580 Construction in Progress	475,474
1000 Total Assets	<u>17,851,264</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred Outflow Related to Pensions	482,410
Deferred Outflow Related to OPEB	909,499
1700 Total Deferred Outflows of Resources	<u>1,391,909</u>
<b>LIABILITIES:</b>	
2110 Accounts Payable	13,326
2140 Interest Payable	10,278
2165 Accrued Liabilities	210,401
2300 Unearned Revenue	5,000
Noncurrent Liabilities:	
2501 Due Within One Year	429,804
2502 Due in More Than One Year	6,731,734
2540 Net Pension Liability	1,594,315
2545 Net OPEB Liability	1,212,227
2000 Total Liabilities	<u>10,207,085</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred Charge on Refunding	37,560
Deferred Inflow Related to Pensions	35,430
Deferred Inflow Related to OPEB	1,296,948
2600 Total Deferred Inflows of Resources	<u>1,369,938</u>
<b>NET POSITION:</b>	
3200 Net Investment in Capital Assets	6,536,307
Restricted For:	
3820 State and Federal Programs	97,627
3850 Debt Service	567,110
3900 Unrestricted	465,106
3000 Total Net Position	<u>\$ 7,666,150</u>

The accompanying notes are an integral part of this statement.

## NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	Functions/Programs	Expenses	1	3	4	Net (Expense) Revenue and Changes in Net Position	
			Program Revenues				
			Charges for Services	Operating Grants and Contributions	Governmental Activities		
Governmental Activities:							
11	Instruction	\$ 3,493,260	\$ 26,950	\$ 438,408	\$ (3,027,902)		
12	Instructional Resources and Media Services	39,525	--	--	(39,525)		
13	Curriculum and Staff Development	30,280	--	5,997	(24,283)		
23	School Leadership	347,592	--	--	(347,592)		
31	Guidance, Counseling, and Evaluation Services	97,711	--	--	(97,711)		
33	Health Services	57,519	--	9,512	(48,007)		
34	Student Transportation	180,322	--	--	(180,322)		
35	Food Service	357,821	27,740	307,291	(22,790)		
36	Cocurricular/Extracurricular Activities	386,634	14,931	--	(371,703)		
41	General Administration	415,538	--	--	(415,538)		
51	Facilities Maintenance and Operations	761,153	12,200	--	(748,953)		
52	Security and Monitoring Services	113,282	--	--	(113,282)		
53	Data Processing Services	141,507	--	29,359	(112,148)		
72	Interest on Long-term Debt	139,079	--	62,016	(77,063)		
73	Bond Issuance Costs and Fees	3,515	--	--	(3,515)		
93	Payments Related to Shared Services Arrangements	129,284	--	--	(129,284)		
99	Other Intergovernmental Charges	112,817	--	--	(112,817)		
TG	Total Governmental Activities	<u>6,806,839</u>	<u>81,821</u>	<u>852,583</u>	<u>(5,872,435)</u>		
TP	Total Primary Government	<u>\$ 6,806,839</u>	<u>\$ 81,821</u>	<u>\$ 852,583</u>	<u>\$ (5,872,435)</u>		
General Revenues:							
MT	Property Taxes, Levied for General Purposes				2,108,047		
DT	Property Taxes, Levied for Debt Service				453,054		
IE	Investment Earnings				249,891		
SF	State Aid-Formula Grants				2,675,743		
MI	Miscellaneous				139,045		
TR	Total General Revenues				<u>5,625,780</u>		
CN	Change in Net Position				<u>(246,655)</u>		
NB	Net Position - Beginning				<u>7,912,805</u>		
NE	Net Position - Ending				<u>\$ 7,666,150</u>		

The accompanying notes are an integral part of this statement.

## NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2025

Data Control Codes		10	50	Other Governmental Funds	98 Total Governmental Funds
		General Fund	Debt Service Fund		
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ 1,729,391	\$ 519,425	\$ 84,684	\$ 2,333,500
1120	Current Investments	1,933,000	--	--	1,933,000
1225	Taxes Receivable, Net	228,821	46,877	--	275,698
1240	Due from Other Governments	79,245	--	50,055	129,300
1260	Due from Other Funds	28,136	--	--	28,136
1290	Other Receivables	3,668	808	--	4,476
1300	Inventories	--	--	3,523	3,523
1410	Unrealized Expenditures	1,331	--	--	1,331
1000	Total Assets	<u>\$ 4,003,592</u>	<u>\$ 567,110</u>	<u>\$ 138,262</u>	<u>\$ 4,708,964</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ 13,275	\$ --	\$ 51	\$ 13,326
2150	Payroll Deductions and Withholdings	(2,220)	--	--	(2,220)
2160	Accrued Wages Payable	199,585	--	7,711	207,296
2170	Due to Other Funds	--	--	28,136	28,136
2200	Accrued Expenditures	4,111	--	1,214	5,325
2300	Unearned Revenue	5,000	--	--	5,000
2000	Total Liabilities	<u>219,751</u>	<u>--</u>	<u>37,112</u>	<u>256,863</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Deferred Revenue					
2600	Total Deferred Inflows of Resources	<u>228,821</u>	<u>46,877</u>	<u>--</u>	<u>275,698</u>
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3410	Inventories	--	--	3,523	3,523
3430	Prepaid Items	1,331	--	--	1,331
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	97,627	97,627
3480	Retirement of Long-Term Debt	--	520,233	--	520,233
3600	Unassigned	3,553,689	--	--	3,553,689
3000	Total Fund Balances	<u>3,555,020</u>	<u>520,233</u>	<u>101,150</u>	<u>4,176,403</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances					
4000		<u>\$ 4,003,592</u>	<u>\$ 567,110</u>	<u>\$ 138,262</u>	<u>\$ 4,708,964</u>

The accompanying notes are an integral part of this statement.

**NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 AUGUST 31, 2025

Total fund balances - governmental funds balance sheet	\$ 4,176,403
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	13,170,436
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	275,698
Payables for bond principal which are not due in the current period are not reported in the funds.	(5,960,000)
Payables for right-to-use leases which are not due in the current period are not reported in the funds.	(80,129)
Payables for debt interest which are not due in the current period are not reported in the funds.	(10,278)
Payables for notes which are not due in the current period are not reported in the funds.	(594,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(26,575)
Deferred charges on refunding are amortized in the SOA but not in the funds.	(37,560)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,594,315)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(35,430)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	482,410
Bond premiums are amortized in the SNA but not in the funds.	(500,834)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(1,212,227)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(1,296,948)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>909,499</u>
Net position of governmental activities - Statement of Net Position	\$ <u>7,666,150</u>

The accompanying notes are an integral part of this statement.

**NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		10	50	Other Governmental Funds	98
		General Fund	Debt Service Fund		Total Governmental Funds
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 2,502,855	\$ 479,361	\$ 27,740	\$ 3,009,956
5800	State Program Revenues	3,164,264	62,016	54,300	3,280,580
5900	Federal Program Revenues	9,512	--	453,326	462,838
5020	Total Revenues	<u>5,676,631</u>	<u>541,377</u>	<u>535,366</u>	<u>6,753,374</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	3,255,959	--	164,978	3,420,937
0012	Instructional Resources and Media Services	37,188	--	--	37,188
0013	Curriculum and Staff Development	23,190	--	5,998	29,188
0023	School Leadership	358,567	--	--	358,567
0031	Guidance, Counseling, and Evaluation Services	103,437	--	--	103,437
0033	Health Services	60,695	--	--	60,695
0034	Student Transportation	405,610	--	--	405,610
0035	Food Service	--	--	411,859	411,859
0036	Cocurricular/Extracurricular Activities	163,590	--	--	163,590
0041	General Administration	427,588	--	--	427,588
0051	Facilities Maintenance and Operations	680,055	--	--	680,055
0052	Security and Monitoring Services	114,588	--	--	114,588
0053	Data Processing Services	115,112	--	29,359	144,471
0071	Principal on Long-term Debt	62,654	315,000	--	377,654
0072	Interest on Long-term Debt	11,789	189,675	--	201,464
0073	Bond Issuance Costs and Fees	2,200	1,315	--	3,515
0081	Capital Outlay	865,916	--	--	865,916
0093	Payments to Shared Service Arrangements	129,284	--	--	129,284
0099	Other Intergovernmental Charges	112,817	--	--	112,817
6030	Total Expenditures	<u>6,930,239</u>	<u>505,990</u>	<u>612,194</u>	<u>8,048,423</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(1,253,608)</u>	<u>35,387</u>	<u>(76,828)</u>	<u>(1,295,049)</u>
Other Financing Sources and (Uses):					
7913	Issuance of Right to Use Leased Assets	90,780	--	--	90,780
7914	Issuance of Non-Current Debt	288,000	--	--	288,000
7080	Total Other Financing Sources and (Uses)	<u>378,780</u>	<u>--</u>	<u>--</u>	<u>378,780</u>
1200	Net Change in Fund Balances	<u>(874,828)</u>	<u>35,387</u>	<u>(76,828)</u>	<u>(916,269)</u>
0100	Fund Balances - Beginning	4,429,848	484,846	177,978	5,092,672
3000	Fund Balances - Ending	<u>\$ 3,555,020</u>	<u>\$ 520,233</u>	<u>\$ 101,150</u>	<u>\$ 4,176,403</u>

The accompanying notes are an integral part of this statement.

**NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2025

Net change in fund balances - total governmental funds	\$ (916,269)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,360,742
The depreciation of capital assets used in governmental activities is not reported in the funds.	(802,032)
The gain or loss on the sale of capital assets is not reported in the funds.	(7,998)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	29,900
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	315,000
Repayment of right-to-use lease principal is an expenditure in the funds but is not an expense in the SOA.	23,654
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	39,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	51,422
(Increase) decrease in accrued interest from beginning of period to end of period.	10,962
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(288,000)
Proceeds of right-to-use leases do not provide revenue in the SOA, but report as current resources in the fund.	(90,780)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	147,154
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(109,697)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(8,868)
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.	36,992
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(37,837)
Change in net position of governmental activities - Statement of Activities	\$ (246,655)

The accompanying notes are an integral part of this statement.

**NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2025

Data Control Codes	Custodial Fund
<b>ASSETS:</b>	Student Activity
1110 Cash and Cash Equivalents	\$ 51,200
1000 Total Assets	<u>51,200</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
2000 Total Liabilities	<u>--</u>
<b>NET POSITION:</b>	
2190 Restricted for Other Purposes	51,200
3000 Total Net Position	<u>51,200</u>

The accompanying notes are an integral part of this statement.

**NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2025

	Custodial Funds
<b>ADDITIONS:</b>	
Student Group Fundraising Activities	\$ 145,822
Total Additions	<u>145,822</u>
<b>DEDUCTIONS:</b>	
Materials, Supplies and Student Group Fees	130,767
Total Deductions	<u>130,767</u>
Change in Fiduciary Net Position	15,055
Net Position-Beginning of the Year	36,145
Net Position-End of the Year	<u>\$ 51,200</u>

The accompanying notes are an integral part of this statement.

# **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025**

### **A. Summary of Significant Accounting Policies**

The basic financial statements of North Zulch Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### **1. Reporting Entity**

The Board of School Trustees ("Board"), a seven-member elected body, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

#### **2. Basis of Presentation, Basis of Accounting**

##### **a. Basis of Presentation**

**Government-wide Financial Statements:** The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

**General Fund:** This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

**Debt Service Fund:** This fund is used for the payment of general long-term obligation principal and interest.

In addition, the District reports the following fund types:

**Custodial Funds:** These funds are used to report student activity funds and other resources held in a purely custodial capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of the fiduciary resources to individuals, private organizations, or other governments.

# **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2025**

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or custodial capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

### **b. Measurement Focus, Basis of Accounting**

**Government-wide and Fiduciary Fund Financial Statements:** These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under lease contracts and subscription-based information technology arrangements are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

### **3. Financial Statement Amounts**

#### **a. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

#### **b. Inventories and Prepaid Items**

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

# **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED AUGUST 31, 2025

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	20
Vehicles	3-15
Furniture and Equipment	5-10
Computer Equipment	3-15
Right-to-use Lease Assets	5
Right-to-use Subscription Assets	5

d. Leases (GASB 87)

The District recognizes lease liabilities and corresponding right-to-use lease assets for leases with terms greater than 12 months. Lease liabilities are measured at the present value of expected lease payments. Right-to-use assets are amortized over the shorter of the lease term or useful life. Short-term (12 months or less) are expensed as incurred.

e. Subscription-Based Information Technology Arrangements (SBITAs - GASB 96)

The District recognizes intangible right-to-use subscription assets and related liabilities for subscription-based information technology arrangements (SBITAs) with terms over 12 months. Subscription assets are amortized over the term of the agreement. Short-term SBITAs are expensed as incurred.

f. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

g. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

## **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025**

#### **h. Compensated Absences**

An employee retiring under Teacher Retirement System of Texas is eligible to receive payment of accumulated state and local days if the retirement is voluntary, the employee provides advance written notice within 90 days of retirement and the employee has at least five years of service with the District. The employee can receive payment for the accumulated days up to a maximum of 50 days.

#### **i. Interfund Activity**

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

#### **j. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

#### **k. Data Control Codes**

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

#### **l. Fund Balances - Governmental Funds**

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's

# **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED AUGUST 31, 2025

primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

m. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

n. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

5. Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to / deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

## **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025**

#### **2. Deficit Fund Balance or Fund Net Position of Individual Funds**

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

#### **C. Deposits and Investments**

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

##### **1. Cash Deposits:**

At August 31, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,115,119 and the bank balance was \$2,165,158. The District's cash deposits at August 31, 2025 and during the year ended August 31, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The District classifies investment pools as cash and cash equivalents for reporting purposes. At August 31, 2025, the District had a balance of \$2,202,581 in Texas Range investment pool accounts.

##### **2. Investments:**

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements to the requirements of the Act. Additionally, investment practices of the District were in accordance with local polices.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

# **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED AUGUST 31, 2025

The District's investments at August 31, 2025 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Book Value</u>
Certificate of Deposit	11/03/2025	\$ 247,000
Certificate of Deposit	02/02/2026	244,000
Certificate of Deposit	02/02/2026	244,000
Certificate of Deposit	05/01/2026	242,000
Certificate of Deposit	08/04/2026	239,000
Certificate of Deposit	08/04/2026	239,000
Certificate of Deposit	08/04/2026	239,000
Total Investments		\$ <u>1,933,000</u>

### 3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

#### a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

#### b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

#### c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

#### d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

#### e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

#### Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a

## **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2025**

cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

#### **Public Funds Investment Pools**

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

#### **Texas Range**

The Texas Range Local Government Investment Pool is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The reported value of the pool is the fair value of the pool shares. Investment options include Texas Daily, a money market portfolio and TexasTERM CD Purchase Program, a fixed rate, fixed-term investment option enabling investors to invest in FDIC insured CD's from banks throughout the United States, both rated AAAf by Fitch.

#### **Texas CLASS**

The District invests in Texas CLASS, which is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The pool is governed by a board of trustees, elected annually by its participants. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the "Participants"), Public Trust Advisors LLC (PTA) as Program Administrator and Wells Fargo Bank Texas, N.A. as Custodian. Texas CLASS is rated at a AAAm or equivalent rating from at least one nationally recognized rating agency and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Texas CLASS seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time.

#### **Fair Value Measurement**

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the

# NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2025

valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The District currently has no investments that require Fair Value Measurement.

### D. Capital Assets

Capital asset activity for the year ended August 31, 2025, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 72,355	\$ --	\$ --	\$ 72,355
Construction in progress	329,628	519,071	373,225	475,474
Total capital assets not being depreciated	<u>401,983</u>	<u>519,071</u>	<u>373,225</u>	<u>547,829</u>
Capital assets being depreciated:				
Buildings and improvements	18,199,168	679,972	--	18,879,140
Equipment	989,002	158,344	--	1,147,346
Vehicles	891,596	285,800	--	1,177,396
Right-to-use asset	47,988	90,780	47,988	90,780
Total capital assets being depreciated	<u>20,127,754</u>	<u>1,214,896</u>	<u>47,988</u>	<u>21,294,662</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,801,590)	(645,258)	--	(7,446,848)
Equipment	(430,759)	(75,597)	--	(506,356)
Vehicles	(637,674)	(72,099)	--	(709,773)
Right-to-use asset	(39,990)	(9,078)	(39,990)	(9,078)
Total accumulated depreciation	<u>(7,910,013)</u>	<u>(802,032)</u>	<u>(39,990)</u>	<u>(8,672,055)</u>
Total capital assets being depreciated, net	<u>12,217,741</u>	<u>412,864</u>	<u>7,998</u>	<u>12,622,607</u>
Governmental activities capital assets, net	<u>\$ 12,619,724</u>	<u>\$ 931,935</u>	<u>\$ 381,223</u>	<u>\$ 13,170,436</u>

Depreciation was charged to functions as follows:

Instruction	\$ 333,400
Instructional Resources and Media Services	4,107
Curriculum and Staff Development	1,092
School Leadership	4,916
Student Transportation	64,710
Food Services	65,615
Extracurricular Activities	225,470
General Administration	7,463
Plant Maintenance and Operations	95,259
	<u>\$ 802,032</u>

# NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2025

### E. Interfund Balances and Activities

#### 1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2025, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 28,136	Short-term loans
	Total	\$ 28,136	

All amounts due are scheduled to be repaid within one year.

### F. Long-Term Obligations

#### 1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2025, for North Zulch Independent School District, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 6,275,000	\$ --	\$ 315,000	\$ 5,960,000	\$ 320,000
Notes from Direct Borrowings and Direct Placements	345,000	288,000	39,000	594,000	93,039
Right-To-Use Lease Asset	13,003	90,780	23,654	80,129	16,765
Adjustments for:					
Discounts and Premiums	552,256	--	51,422	500,834	--
Deferred Charge	46,064	--	8,504	37,560	--
Compensated Absences *	31,650	--	5,075	26,575	--
Net Pension Liability *	1,657,425	--	63,110	1,594,315	--
Net OPEB Liability *	905,081	307,146	--	1,212,227	--
<b>Total Governmental Activities</b>	<b>\$ 9,825,479</b>	<b>\$ 685,926</b>	<b>\$ 505,765</b>	<b>\$ 10,005,640</b>	<b>\$ 429,804</b>

\* Other long-term liabilities presented with net increase/decrease amounts.

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated Absences	Governmental	General Fund
Net Pension Liability *	Governmental	General Fund
Net OPEB Liability *	Governmental	General Fund

The District issued \$3,125,000 in Unlimited Tax Refunding Bonds, Series 2020 in November, 2020. The proceeds will be used to advance refund the Series 2012 bonds and pay for the costs associated with the issuance of the bonds. The bonds will mature on February 15th each year through 2030 with interest rates of 2.00% to 3.00%.

The District issued \$3,245,000 in Unlimited Tax School Building Bonds, Series 2021 in September 2021. The proceeds will be used for the purpose of providing funds for the designing, constructing, renovating, improving, upgrading, updating, acquiring and equipping school facilities and any necessary or related removal of existing facilities, the purchase of the necessary sites for school facilities, and the purchase of new school buses and to pay the costs of issuing the bonds. The first principal payment starts February 2031 and the bonds mature February 2041. The bonds have an interest rate of 3.0%, and are payable from a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District.

## NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

The District issued \$990,000 in Unlimited Tax School Building Bonds, Series 2022 in June 2022. The proceeds will be used for the purpose of providing funds for the designing, constructing, renovating, improving, upgrading, updating, acquiring and equipping school facilities and any necessary or related removal of existing facilities, the purchase of the necessary sites for school facilities, and the purchase of new school buses and to pay the costs of issuing the bonds. The first principal payment starts February 2031 and the bonds mature February 2042. The bonds have an interest rate of 3.0%, and are payable from a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District.

The District issued \$499,000 in Maintenance Tax Note, Series 2020 in February, 2020. The proceeds will be used for the purpose of providing funds for the maintenance, repair, rehabilitation or replacement of existing school facilities; and paying the costs of issuance of the notes. The notes will mature on October 1, 2031 and have an interest rate of 2.490%. To secure the note, the District will levy an ad valorem tax each year while any principal or interest is outstanding.

The District entered into a financed purchase in June, 2025, for the purchase of two buses. The finance contract was for a total of \$288,000 and had an interest rate of 5.25%. Annual payments begin in May, 2026, and mature on May 1, 2030. The contract is secured through maintenance and operations ad valorem taxes.

#### 2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2025, for North Zulch Independent School District, are as follows:

Year Ending August 31,	Governmental Activities					
	Bonds		Notes from Direct Borrowings and Direct Placements			
	Principal	Interest	Principal	Interest	Total	
2026	\$ 320,000	\$ 183,325	\$ 93,039	\$ 21,227	\$ 617,591	
2027	335,000	176,775	95,312	18,958	626,045	
2028	345,000	168,250	100,163	15,087	628,500	
2029	355,000	157,750	104,164	11,015	627,929	
2030	370,000	146,875	108,322	6,761	631,958	
2031-2035	1,695,000	565,938	93,000	3,486	2,357,424	
2036-2040	1,995,000	258,351	--	--	2,253,351	
2041-2045	545,000	13,400	--	--	558,400	
Totals	\$ 5,960,000	\$ 1,670,664	\$ 594,000	\$ 76,534	\$ 8,301,198	

#### G. Leases

The District entered into a copier lease in November 2024, with monthly payments of \$1,745 and an interest rate of 5.75%. The lease is for sixty (60) months and the original lease liability is \$90,780.

Future lease payment maturity schedule for the year ended August 31, 2025, is as follows:

Year ended August 31,	Principal	Interest	Total
2026	\$ 16,765	\$ 4,175	\$ 20,940
2027	17,751	3,189	20,940
2028	18,801	2,139	20,940
2029	19,915	1,025	20,940
2030	6,897	83	6,980
	\$ 80,129	\$ 10,611	\$ 90,740

## **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025**

#### **H. Risk Management**

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2025, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

#### **I. Pension Plan**

##### **1. Plan Description**

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

##### **2. Pension Plan Fiduciary Net Position**

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/Pages/about\\_archive\\_cafr.aspx](https://www.trs.texas.gov/Pages/about_archive_cafr.aspx); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

##### **3. Benefits Provided**

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity, except for members who are grandfathered where the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as previously noted in the Plan description in (1) above.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

##### **4. Contributions**

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not

## **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED AUGUST 31, 2025

more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

#### **Contribution Rates**

	<b>2024</b>	<b>2025</b>
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
 District's 2025 Employer Contributions	 \$	147,154
District's 2025 Member Contributions	\$	280,842
2024 NECE On-Behalf Contributions (State)	\$	178,785

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of a member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any or all of an employee's salary is paid by federal, private, local or non-educational and general funds
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees and 100 percent of the state contribution rate for all other employees.

Employers are also required to pay surcharges in the following cases:

- All public schools, charter schools and regional educational service centers must contribute 1.8 percent of the member's salary beginning in fiscal year 2023, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the TRS, the employer shall pay an amount equal to the member contribution and the state contribution as an employment after retirement surcharge.

## **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2025**

#### **5. Actuarial Assumptions**

The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the total pension liability to August 31, 2024.

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2024	3.87% *
Last year ending August 31 in Projection Period (100 years)	2123
Inflation	2.30%
Salary Increases including inflation	2.95% to 8.95%
Ad hoc post-employment benefit changes	None

\* The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.

The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2024. For a full description of these assumptions, please see the actuarial valuation report dated November 21, 2024.

#### **6. Discount Rate**

A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 9.54 percent of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2024 are summarized below:

# NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2025

Asset Class	Target Allocation **	Long-Term Expected Geometric Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	4.4%	1.0%
Non-U.S. Developed	13.0%	4.2%	0.8%
Emerging Markets	9.0%	5.2%	0.7%
Private Equity	14.0%	6.7%	1.2%
Stable Value			
Government Bonds	16.0%	1.9%	0.4%
Stable Value Hedge Funds	5.0%	3.0%	0.2%
Absolute Return *	0.0%	4.0%	0.0%
Real Return			
Real Estate	15.0%	6.6%	1.2%
Energy, Natural Resources and Infrastructure	6.0%	5.6%	0.4%
Commodities	0.0%	2.5%	0.0%
Risk Parity			
Asset Allocation Leverage			
Cash	2.0%	1.0%	0.0%
Asset Allocation Leverage	(6.0%)	1.3%	(0.1)%
Inflation Expectation			2.4%
Volatility Drag ****			(0.7)%
Expected Return	<u><u>100.0%</u></u>		<u><u>7.9%</u></u>

\* Absolute Return includes Credit Sensitive Investments.

\*\* Target allocations are based on the FY2023 policy model.

\*\*\* Capital Market Assumptions come from Aon Hewitt (as of 06/30/2023)

\*\*\*\* The volatility drag results from the conversion between arithmetic and geometric mean returns.

## 7. Discount Rate Sensitivity Analysis

The following table presents the net pension liability of the plan using a discount rate of 7.00 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	\$ 2,546,525	\$ 1,594,315	\$ 805,341

## 8. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2025, the District reported a liability of \$1,594,315 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District are as follows:

District's proportionate share of the collective net pension liability	\$ 1,594,315
State's proportionate share that is associated with District	1,937,936
<u>Total</u>	<u><u>\$ 3,532,251</u></u>

# **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED AUGUST 31, 2025

The net pension liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At the measurement date of August 31, 2024 the employer's proportion of the collective net pension liability was 0.0026100299 percent which was an increase of .0001971360 percent from its proportion measured as of August 31, 2023.

### **9. Changes Since the Prior Actuarial Valuation**

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2025, the District recognized pension expense of \$489,826 and revenue of \$231,616 for support provided by the State.

At August 31, 2025, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Actuarial Experience	\$ 87,876	\$ 12,448
Changes in Actuarial Assumptions	82,318	11,036
Difference Between Projected and Actual Investment Earnings	9,692	--
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	155,370	11,946
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability (to be calculated by employer)	147,154	--
<b>Total</b>	<b>\$ 482,410</b>	<b>\$ 35,430</b>

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31,	Pension Expense Amount
2026	\$ 39,491
2027	\$ 209,119
2028	\$ 52,161
2029	\$ (18,070)
2030	\$ 17,124
Thereafter	\$ 1

# **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025**

### **J. Defined Other Post-Employment Benefit Plans**

#### **1. Plan Description**

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

#### **2. OPEB Plan Fiduciary Net Position**

Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/Pages/about\\_archive\\_cafra.aspx](https://www.trs.texas.gov/Pages/about_archive_cafra.aspx); by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

#### **3. Benefits Provided**

TRS-Care provides health insurance coverage to retirees from public and charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for retirees are reflected in the following table.

	<b>TRS-Care Monthly Premium Rates</b>	
	<b>Medicare</b>	<b>Non-Medicare</b>
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

#### **4. Contributions**

Contribution rates for the TRS-Care plan are established in State Statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and participating employers are based on active employee compensation. The TRS board does not have the authority to set or amend contribution rates.

Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of Salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is

# **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED AUGUST 31, 2025

prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2023. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2024	2025
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%

The contribution amounts for the District's fiscal year 2024 are as follows:

District's 2025 Employer Contributions	\$ 36,992
District's 2025 Member Contributions	\$ 22,086
2024 NECE On-Behalf Contributions (state)	\$ 45,457

All employers whose employees are covered by the TRS pension plan are also required to pay a surcharge of \$535 per month when employing a retiree of TRS. The TRS-Care surcharges for fiscal year 2024 totaled \$16,318,100.

A supplemental appropriation was received in 2023 for \$21.3 million provided by Rider 14 of the Senate Bill GAA of the 87th Legislature. These amounts were re-appropriated from amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

## **5. Actuarial Assumptions**

The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2024.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

<u>Demographic Assumptions</u>	<u>Economic Assumptions</u>
Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	
Rates of Disability	

The active mortality rates were based on PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2021.

# **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED AUGUST 31, 2025

The following methods and additional assumptions were used in the TRS-Care OPEB valuation:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	2.95% to 8.95%, including inflation
Election Rates	Normal Retirement - 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees - 30% are assumed to discontinue coverage at age 65.
Ad Hoc Post-Employment Benefit Changes	None

The initial medical trend rate was 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 years.

### **6. Discount Rate**

A single discount rate of 3.87 percent was used to measure the Total OPEB Liability. This was a decrease of 0.26 percent in the discount rate since the previous year. Since the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate.

The source for the municipal bond rate is the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in the Bond Buyer's "20-Bond GO Index", as of August 31, 2024.

### **7. Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (3.87%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.87%)	Current Single Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of the Net OPEB Liability:	\$ 1,440,182	\$ 1,212,227	\$ 1,028,035

### **8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs**

At August 31, 2025, the District reported a liability of \$1,212,227 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the Net OPEB Liability that was associated with the District were as follows:

## **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED AUGUST 31, 2025

District's proportionate share of the collective net OPEB liability	\$ 1,212,227
State's proportionate share that is associated with the District	<u>1,518,903</u>
Total	\$ <u>2,731,130</u>

The Net OPEB liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At August 31, 2024, the District's proportion of the collective net OPEB liability was 0.0039939551%, compared to .0040883035% as of August 31, 2023.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1 percent less than and 1 percent greater than the health trend rates assumed.

	Healthcare Trend		
	1% Decrease in Rate	Current Single Rate	1% Increase in Rate
District's proportionate share of Net OPEB Liability:	\$ 987,179	\$ 1,212,227	\$ 1,505,487

### **9. Changes Since the Prior Actuarial Valuation**

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability (TOL) since the prior measurement period:

- The discount rate was changed from 4.13 percent as of August 31, 2023 to 3.87 percent as of August 31, 2024. This change increased the Total OPEB Liability.

#### **Changes of Benefit Terms Since the Prior Measurement Date**

Since the last valuation was prepared for this plan, Texas Senate Bill 1055, which was signed by the Governor on May 10, 2023, added Stephen F. Austin University into the University of Texas System. As a result, eligible employees of Stephen F. Austin State University ceased being members under this OPEB plan effective August 31, 2023. This change is reflected in the Total OPEB Liability as of August 31, 2023. In addition, this valuation reflects the minor benefit changes that became effective September 1, 2023, since these changes were announced to plan members in advance of August 31, 2023. These minor benefit changes, which are not expected to have a significant impact on plan costs for fiscal year 2024, are provided for in the fiscal year 2024 Assumed Per Capita Health Benefit Costs.

The amount of OPEB expense recognized by the District in the reporting period was \$(299,237).

## **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED AUGUST 31, 2025

At August 31, 2025, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 232,343	\$ 604,967
Changes in actuarial assumptions	155,151	395,536
Difference between projected and actual investment earnings	--	3,394
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	485,013	293,051
Contributions paid to TRS subsequent to the measurement date	36,992	--
<b>Total</b>	<b>\$ 909,499</b>	<b>\$ 1,296,948</b>

The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>August 31:</u>	<u>Amount</u>
2026	\$ (134,919)
2027	\$ (80,016)
2028	\$ (140,956)
2029	\$ (95,442)
2030	\$ (53,142)
Thereafter	\$ 80,034

For the year ended August 31, 2025, the District recognized OPEB expense of (\$299,237) and revenue of \$(197,429) for support provided by the State.

#### **10. Medicare Part D Subsidies**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2025, the subsidy payment received by TRS-Care on behalf of the District was \$22,795.

#### **K. Employee Health Care Coverage**

During the year ended August 31, 2025, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$341 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions.

## **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025**

#### **L. Commitments and Contingencies**

##### **1. Contingencies**

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

##### **2. Litigation**

No reportable litigation was pending against the District at August 31, 2025.

#### **M. Tax Abatement**

The District may enter into property abatement agreements with local businesses under Texas Tax Code, Title 3, Subtitle B, Chapter 313, Texas Economic Development Act (the Act). Under the Act, Texas school districts may grant property tax abatements according to the category of taxable value of property in the District for the preceding tax year. The District is a Category 3 district, which limits the minimum amount per qualified investment to \$20,000,000. The qualified property is limited only from maintenance and operation (M&O) property tax. The tax abatements, which are approved by the Texas Comptroller's office and the District's Board, are granted for the purpose of enhancing the local community, improving the public education system, creating high-paying jobs, and advancing economic development goals. The District has decided to disclose all tax abatement agreements.

The District entered into a tax abatement agreement with Savannah Oaks Solar Project, LLC (the Applicant) under Chapter 313.027 of the Texas Tax Code to build a solar farm. The qualifying time period for the agreement begins on January 1, 2026, and ends on December 31, 2027. The tax limitation period begins on January 1, 2029, and ends on December 31, 2038. The final termination for the agreement is December 31, 2043. As long as the Applicant makes the qualified investment during the qualifying time period, the appraised value of the qualifying property for the District's maintenance and operations ad valorem tax purposes shall not exceed the lesser of: (1) the market value of the qualified property, or (2) twenty million dollars (\$20,000,000). The qualified investment required by December 31, 2027, is ten million dollars (\$10,000,000). The Applicant must also create and maintain new qualifying jobs subject to the provisions of Section 313.0276 of the Texas Tax Code and pay an average weekly wage of at least \$829 for all new non-qualifying jobs created by the Applicant. In order to maintain the limitation, the Applicant shall: (1) provide payments to the District sufficient to protect future District revenues through payment of revenue offsets and other mechanisms, (2) provide payments to the District that protect the District from the payment of extraordinary education related expenses related to the project, (3) provide supplemental payments of \$50,000 per year for fifteen (15) years, and (4) create and maintain viable presence on or with the qualified property. In the event of a breach in the agreement, the Applicant shall pay to the District the sum total of the District ad valorem taxes for all of the tax years for which a tax limitation was granted, less any payments previously made to the District.

For the fiscal year ended August 31, 2025, construction had not begun on the facilities. As a result, no taxes were abated during the 2025 fiscal year.

#### **N. Shared Services Arrangements**

The District participates in a shared services arrangement for the education of career and technology students, funded under Perkins V: Strengthening Career and Technical Education for the 21st Century. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center Region VI, nor does the District have a new equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the

## **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025**

District. The fiscal agent is responsible for part of the financial activities of the shared services arrangement. Region VI is reporting \$4,690 as expenditures incurred on behalf of North Zulch ISD.

The District participates in a shared services arrangement for the improvement of the education of limited English proficient children funded by Title III, Part A, ELA. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center Region VI, nor does the District have a new equity interest in does the District have a new equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the shared services arrangement. Region VI is reporting \$594 as expenditures incurred on behalf of North Zulch ISD.

The District also participates in the Grimes County Co-op Shared Services, which is a shared services arrangement (SSA) to provide special education services to students in the District. The SSA includes five independent school districts with Navasota Independent School District as the fiscal agent. Financial transactions are accounted for in accordance with Model 3 of the SSA section of the Texas Education Agency Financial Accounting System Resource Guide. This SSA is partially funded through state and local funds provided by the participating school districts and partially through federal programs IDEA B - Formula and IDEA B - Preschool.

#### **O. Subsequent Events**

The District evaluated subsequent events through December 29, 2025, which is the date through which the financial statements were available to be issued. It was determined the District had no subsequent events requiring recording or disclosing in the financial statements for the year ended August 31, 2025.

*This page has been left blank intentionally.*

## *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

*This page has been left blank intentionally.*

**NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2025

**EXHIBIT G-1**

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)	
		Budgeted Amounts		Actual		
		Original	Final			
<b>REVENUES:</b>						
5700	Local and Intermediate Sources	\$ 2,475,500	\$ 2,475,500	\$ 2,502,855	\$ 27,355	
5800	State Program Revenues	3,099,232	3,099,232	3,164,264	65,032	
5900	Federal Program Revenues	--	--	9,512	9,512	
5020	Total Revenues	5,574,732	5,574,732	5,676,631	101,899	
<b>EXPENDITURES:</b>						
Current:						
Instruction and Instructional Related Services:						
0011	Instruction	3,008,819	3,259,599	3,255,959	3,640	
0012	Instructional Resources and Media Services	34,398	37,498	37,188	310	
0013	Curriculum and Instructional Staff Development	17,894	24,894	23,190	1,704	
	Total Instruction and Instr. Related Services	3,061,111	3,321,991	3,316,337	5,654	
Instructional and School Leadership:						
0023	School Leadership	388,598	358,998	358,567	431	
	Total Instructional and School Leadership	388,598	358,998	358,567	431	
Student Support Services:						
0031	Guidance, Counseling and Evaluation Services	105,862	105,952	103,437	2,515	
0033	Health Services	63,177	63,577	60,695	2,882	
0034	Student Transportation	153,035	418,835	405,610	13,225	
0036	Extracurricular Activities	144,192	164,192	163,590	602	
	Total Student Support Services	466,266	752,556	733,332	19,224	
Administrative Support Services:						
0041	General Administration	435,032	435,032	427,588	7,444	
	Total Administrative Support Services	435,032	435,032	427,588	7,444	
Support Services:						
0051	Facilities Maintenance and Operations	651,755	679,655	680,055	(400)	
0052	Security and Monitoring Services	112,272	117,572	114,588	2,984	
0053	Data Processing Services	135,229	115,229	115,112	117	
	Total Support Services	899,256	912,456	909,755	2,701	
Debt Service:						
0071	Debt Service	52,003	62,703	62,654	49	
0072	Interest on Long-Term Debt	9,466	12,866	11,789	1,077	
0073	Bond Issuance Costs and Fees	--	2,200	2,200	--	
	Total Debt Service	61,469	77,769	76,643	1,126	
Capital Outlay:						
0081	Facilities Acquisition and Construction	--	933,000	865,916	67,084	
	Total Capital Outlay	--	933,000	865,916	67,084	
Intergovernmental Charges:						
0093	Payments to Fiscal Agent/Member Dist.-SSA	140,000	130,000	129,284	716	
0099	Other Intergovernmental Charges	123,000	113,000	112,817	183	
	Total Intergovernmental Charges	263,000	243,000	242,101	899	
6030	Total Expenditures	5,574,732	7,034,802	6,930,239	104,563	
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	--	(1,460,070)	(1,253,608)	206,462	
Other Financing Sources (Uses):						
7913	Proceeds from Right to Use Leased Assets	--	90,780	90,780	--	
7914	Loan Proceeds - Gov. Fund Types & Exp. Trust Fu	--	288,000	288,000	--	
7080	Total Other Financing Sources and (Uses)	--	378,780	378,780	--	
1200	Net Change in Fund Balance	--	(1,081,290)	(874,828)	206,462	
0100	Fund Balance - Beginning	4,429,848	4,429,848	4,429,848	--	
3000	Fund Balance - Ending	\$ 4,429,848	\$ 3,348,558	\$ 3,555,020	\$ 206,462	

# **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 LAST TEN FISCAL YEARS

	Measurement Year *			
	2024	2023	2022	2021
District's Proportion of the Net Pension Liability	0.0026100299%	0.0024128939%	0.0023272707%	0.0021581885%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,594,315	\$ 1,657,425	\$ 1,381,641	\$ 549,614
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,937,936	2,150,062	1,868,934	843,497
<b>Total</b>	<b>\$ 3,532,251</b>	<b>\$ 3,807,487</b>	<b>\$ 3,250,575</b>	<b>\$ 1,393,111</b>
District's Covered Payroll	\$ 3,015,282	\$ 2,724,397	\$ 2,422,868	\$ 2,310,305
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	52.87%	60.84%	57.03%	23.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.51%	73.15%	75.62%	88.79%

\* The amounts presented are determined as of the Plan's measurement year which was as of August 31 in each prior calendar year from the District's fiscal year end.

**EXHIBIT G-2**

Measurement Year *					
2020	2019	2018	2017	2016	2015
0.0020971262%	0.0022239806%	0.0022501244%	0.0022125965%	0.0025384191%	0.001971500%
\$ 1,123,178	\$ 1,156,095	\$ 1,238,523	\$ 707,469	\$ 959,231	\$ 696,899
1,860,621	1,790,834	1,974,175	1,103,141	1,236,738	1,381,736
<u>\$ 2,983,799</u>	<u>\$ 2,946,929</u>	<u>\$ 3,212,698</u>	<u>\$ 1,810,610</u>	<u>\$ 2,195,969</u>	<u>\$ 2,078,635</u>
\$ 2,298,878	\$ 2,255,650	\$ 2,258,184	\$ 2,127,621	\$ 2,022,390	\$ 2,146,457
48.86%	51.25%	54.85%	33.25%	47.43%	32.47%
75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

## **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF DISTRICT'S CONTRIBUTIONS

TEACHER RETIREMENT SYSTEM OF TEXAS

LAST TEN FISCAL YEARS

	Fiscal Year			
	2025	2024	2023	2022
Contractually Required Contribution	\$ 147,154	\$ 148,513	\$ 119,695	\$ 110,147
Contributions in Relation to the Contractually Required Contribution	(147,154)	(148,513)	(119,695)	(110,147)
Contribution Deficiency (Excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's Covered Payroll	\$ 3,404,144	\$ 3,015,282	\$ 2,724,397	\$ 2,422,868
Contributions as a Percentage of Covered Payroll	4.32%	4.93%	4.39%	4.55%

Fiscal Year						
2021	2020	2019	2018	2017	2016	
\$ 92,096	\$ 84,558	\$ 77,915	\$ 75,801	\$ 70,744	\$ 81,933	
(92,096)	(84,558)	(77,915)	(75,801)	(70,744)	(81,933)	
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	
\$ 2,310,305	\$ 2,298,878	\$ 2,255,650	\$ 2,258,184	\$ 2,127,621	\$ 2,022,390	
3.99%	3.68%	3.45%	3.36%	3.33%	4.05%	

# **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET OPEB LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 LAST TEN FISCAL YEARS \*

	Measurement Year **			
	2024	2023	2022	2021
District's Proportion of the Collective Net OPEB Liability	0.0039939551%	0.0040883035%	0.0032706276%	0.0032574394%
District's Proportionate Share of the Collective Net OPEB Liability	\$ 1,212,227	\$ 905,081	\$ 783,119	\$ 1,256,540
State proportionate share of the collective net OPEB liability associated with the District	1,518,903	1,092,119	955,282	1,683,484
<b>Total</b>	<b>\$ 2,731,130</b>	<b>\$ 1,997,200</b>	<b>\$ 1,738,401</b>	<b>\$ 2,940,024</b>
District's Covered Payroll	\$ 3,015,282	\$ 2,724,397	\$ 2,422,868	\$ 2,310,305
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	40.20%	33.22%	32.32%	54.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.70%	14.94%	11.52%	6.18%

\* This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

\*\* The amounts presented are determined as of the Plan's measurement year which was as of August 31 in each prior calendar year from the District's fiscal year end.

**EXHIBIT G-4**

Measurement Year				
	2020	2019	2018	2017
	0.0037745214%	0.0036634001%	0.0040047426%	0.0033354420%
\$	1,434,866	\$ 1,732,468	\$ 1,999,605	\$ 1,450,459
	1,928,116	2,302,061	1,932,053	1,654,008
\$	<u>3,362,982</u>	<u>\$ 4,034,529</u>	<u>\$ 3,931,658</u>	<u>\$ 3,104,467</u>
\$	2,298,878	\$ 2,255,650	\$ 2,258,184	\$ 2,127,621
	62.42%	76.81%	88.55%	68.17%
	4.99%	2.66%	1.57%	0.91%

# **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS

TEACHER RETIREMENT SYSTEM OF TEXAS

LAST TEN FISCAL YEARS \*

	Fiscal Year			
	2025	2024	2023	2022
Statutorily or Contractually Required District Contribution	\$ 36,992	\$ 37,837	\$ 33,860	\$ 21,939
Contributions Recognized by OPEB in Relation to Statutorily or Contractually required contribution	(36,992)	(37,837)	(33,860)	(21,939)
Contribution Deficiency (Excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's Covered Payroll	\$ 3,404,144	\$ 3,015,282	\$ 2,724,397	\$ 2,422,868
Contributions as a Percentage of Covered Payroll	1.09%	1.25%	1.24%	0.91%

\* This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

Fiscal Year				
2021	2020	2019	2018	
\$ 24,930	\$ 30,659	\$ 24,264	\$ 28,762	
(24,930)	(30,659)	(24,264)	(28,762)	
\$ --	\$ --	\$ --	\$ --	
\$ 2,310,305	\$ 2,298,878	\$ 2,255,650	\$ 2,258,184	
1.08%	1.33%	1.08%	1.27%	

# **NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED AUGUST 31, 2025

### **Budget**

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

### **Defined Benefit Pension Plan**

#### **Changes of benefit terms**

There were no changes of benefit terms that affected measurement of the net pension liability during the measurement period.

#### **Changes of assumptions**

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

### **Other Post-Employment Benefit Plan**

#### **Changes of benefit terms**

Since the last valuation was prepared for this plan, Texas Senate Bill 1055, which was signed by the Governor on May 10, 2023, added Stephen F. Austin University into the University of Texas System. As a result, eligible employees of Stephen F. Austin State University ceased being members under this OPEB plan effective August 31, 2023. This change is reflected in the Total OPEB Liability as of August 31, 2023. In addition, this valuation reflects the minor benefit changes that became effective September 1, 2023, since these changes were announced to plan members in advance of August 31, 2023. These minor benefit changes, which are not expected to have a significant impact on plan costs for fiscal year 2024, are provided for in the fiscal year 2024 Assumed Per Capita Health Benefit Costs.

#### **Changes of assumptions**

The single discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.

## *Combining Statements and Budget Comparisons as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

*This page has been left blank intentionally.*

**NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2025

Data Control Codes	240 National School Breakfast/Lunch Program	410 State Textbook Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)	
			ASSETS:	
1110 Cash and Cash Equivalents	\$ 84,684	\$ --	\$ 84,684	
1240 Due from Other Governments	21,919	28,136	50,055	
1300 Inventories	3,523	--	3,523	
1000 Total Assets	<u>\$ 110,126</u>	<u>\$ 28,136</u>	<u>\$ 138,262</u>	
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 51	\$ --	\$ 51	
2160 Accrued Wages Payable	7,711	--	7,711	
2170 Due to Other Funds	--	28,136	28,136	
2200 Accrued Expenditures	1,214	--	1,214	
2000 Total Liabilities	<u>\$ 8,976</u>	<u>\$ 28,136</u>	<u>\$ 37,112</u>	
<b>FUND BALANCES:</b>				
Nonspendable Fund Balances:				
3410 Inventories	3,523	--	3,523	
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	97,627	--	97,627	
3000 Total Fund Balances	<u>101,150</u>	<u>--</u>	<u>101,150</u>	
4000 Total Liabilities and Fund Balances	<u>\$ 110,126</u>	<u>\$ 28,136</u>	<u>\$ 138,262</u>	

The accompanying notes are an integral part of this statement.

# NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ --	\$ 27,740	\$ --
5800 State Program Revenues	--	2,784	--
5900 Federal Program Revenues	93,907	304,507	15,553
5020 Total Revenues	<u>93,907</u>	<u>335,031</u>	<u>15,553</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	93,907	--	9,555
0013 Curriculum and Staff Development	--	--	5,998
0035 Food Service	--	411,859	--
0053 Data Processing Services	--	--	--
6030 Total Expenditures	<u>93,907</u>	<u>411,859</u>	<u>15,553</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	(76,828)	--
1200 Net Change in Fund Balances	--	(76,828)	--
0100 Fund Balances - Beginning	--	177,978	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 101,150</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

270 ESEA, Title V Part B, Subpart 2 Rural School	289 Title IV, Part A, Subpart 1	410 State Textbook Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ --	\$ 27,740
--	--	51,516	54,300
29,359	10,000	--	453,326
<u>29,359</u>	<u>10,000</u>	<u>51,516</u>	<u>535,366</u>
--	10,000	51,516	164,978
--	--	--	5,998
--	--	--	411,859
29,359	--	--	29,359
<u>29,359</u>	<u>10,000</u>	<u>51,516</u>	<u>612,194</u>
--	--	--	(76,828)
--	--	--	<u>(76,828)</u>
\$ --	\$ --	\$ --	\$ 177,978
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 101,150</u>

*This page has been left blank intentionally.*

## *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

**NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2025

Year Ended August 31	1		2		3		10	
	Tax Rates		Debt Service		Assessed/Appraised Value For School Tax Purposes		Beginning Balance 9/1/24	
	Maintenance		Debt Service					
2016 and Prior Years	\$ Various		\$ Various		\$ Various		\$ 29,789	
2017	1.04		.3235		245,067,421		6,052	
2018	1.04		.2868		237,491,676		4,560	
2019	1.10		.17		239,895,279		7,439	
2020	1.023		.17		299,218,110		13,014	
2021	1.0093		.17		270,217,163		23,447	
2022	1.0063		.17		224,024,569		24,510	
2023	.8975		.17		302,498,109		48,575	
2024	.7809		.17		284,190,767		88,412	
2025 (School Year Under Audit)	.7784		.17		269,933,541		--	
1000 Totals						\$ 245,798		

8000 - Total Taxes Refunded under Section 26.1115, Tax Code

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/25	99 Total Taxes Refunded Under Sect. 26.1115(c)
\$ --	\$ 576	\$ 139	\$ (11,048)	\$ 18,026	
--	928	286	--	4,838	
--	1,401	386	--	2,773	
--	1,693	262	--	5,484	
--	1,360	226	(252)	11,176	
--	3,071	517	30	19,889	
--	3,443	582	143	20,628	
--	10,646	2,017	(1,794)	34,118	
--	24,863	5,392	(9,340)	48,817	
2,560,050	1,997,760	436,397	(15,944)	109,949	
<u>\$ 2,560,050</u>	<u>\$ 2,045,741</u>	<u>\$ 446,204</u>	<u>\$ (38,205)</u>	<u>\$ 275,698</u>	
				\$ 92	
	\$ --				

**NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM  
AS OF AUGUST 31, 2025

<u>Data Control Codes</u>		<u>Responses</u>
<b><u>Section A: Compensatory Education Programs</u></b>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 320,901
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30)	\$ 417,600
<b><u>Section B: Bilingual Education Programs</u></b>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 6,693
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25)	\$ 32,100

**NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2025

**EXHIBIT J-3**

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 30,000	\$ 27,740	\$ (2,260)
5800	State Program Revenues	1,071	2,784	1,713
5900	Federal Program Revenues	294,200	304,507	10,307
5020	Total Revenues	<u>325,271</u>	<u>335,031</u>	<u>9,760</u>
<b>EXPENDITURES:</b>				
Current:				
Student Support Services:				
0035	Food Services	418,271	411,859	6,412
	Total Student Support Services	<u>418,271</u>	<u>411,859</u>	<u>6,412</u>
6030	Total Expenditures	<u>418,271</u>	<u>411,859</u>	<u>6,412</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(93,000)	(76,828)	16,172
1200	Net Change in Fund Balance	<u>(93,000)</u>	<u>(76,828)</u>	<u>16,172</u>
0100	Fund Balance - Beginning	177,978	177,978	--
3000	Fund Balance - Ending	<u>\$ 84,978</u>	<u>\$ 101,150</u>	<u>\$ 16,172</u>

**NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**
**EXHIBIT J-4**

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 495,975	\$ 479,361	\$ (16,614)
5800	State Program Revenues	10,000	62,016	52,016
5020	Total Revenues	<u>505,975</u>	<u>541,377</u>	<u>35,402</u>
<b>EXPENDITURES:</b>				
Debt Service:				
0071	Debt Service	315,000	315,000	--
0072	Interest on Long-Term Debt	189,675	189,675	--
0073	Bond Issuance Costs and Fees	1,360	1,315	45
	Total Debt Service	<u>506,035</u>	<u>505,990</u>	<u>45</u>
6030	Total Expenditures	<u>506,035</u>	<u>505,990</u>	<u>45</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(60)	35,387	35,447
1200	Net Change in Fund Balance	<u>(60)</u>	<u>35,387</u>	<u>35,447</u>
0100	Fund Balance - Beginning	484,846	484,846	--
3000	Fund Balance - Ending	<u>\$ 484,786</u>	<u>\$ 520,233</u>	<u>\$ 35,447</u>



## DAVIS, HEINEMANN & COMPANY, P.C.

*CERTIFIED PUBLIC ACCOUNTANTS*

1300 11TH STREET, SUITE 500

P.O. BOX 6308

HUNTSVILLE, TEXAS 77342

PHONE (936) 291-3020

FAX (936) 291-9607

Independent Auditor's Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With *Government Auditing Standards*

Board of Trustees  
North Zulch Independent School District  
P. O. Box 158  
North Zulch, Texas 77872

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Zulch Independent School District, as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise North Zulch Independent School District's basic financial statements, and have issued our report thereon dated December 29, 2025.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered North Zulch Independent School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Zulch Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of North Zulch Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of North Zulch Independent School District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether North Zulch Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **North Zulch Independent School District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Zulch Independent School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Zulch Independent School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

*Davis, Heinemann + Co.*

Davis, Heinemann & Company, P.C.

Huntsville, Texas  
December 29, 2025

**NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2025

**A. Summary of Auditor's Results****1. Financial Statements**

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
One or more material weaknesses identified?	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No

**B. Financial Statement Findings**

NONE

**NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2025

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None reported.		

**NORTH ZULCH INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2025

<u>Data Control Codes</u>	<u>Responses</u>
SF1 Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2 Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3 Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered <b>to not have made</b> timely payments.)	Yes
Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.	
Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	
SF4 Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5 Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6 Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7 Did the school district post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8 Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9 Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ --

*This page has been left blank intentionally.*