

NAZARETH INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2025

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2025

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NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2025

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INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Nazareth Independent School District
Name of School District

Castro
County

035-903
Co.- Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and 4 approved 0 disapproved (check one) for the year ended August 31, 2025 at a meeting of the Board of Trustees of such school district on the 10th day of December, 2025.



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):

FINANCIAL SECTION

Terry & King, CPAs, P.C.

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Randel J. Terry, CPA
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Telephone - (806) 698-8858 – Fax – (866) 288-6490

Independent Auditors' Report on Financial Statements

Board of Trustees
Nazareth Independent School District
101 S. 1st Street
Nazareth, Texas 79063

Members of the Board of Trustees:

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the 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 the Nazareth Independent School District as of August 31, 2025, and the respective changes in financial position thereof 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 and the standards applicable to financial audits contained in *Government Auditing Standards* 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 the Nazareth 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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

-2-

Members American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants



The CPA. Never Underestimate The Value.®

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 generally accepted auditing standards 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 generally accepted auditing standards 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, budgetary comparison information, and pension and OPEB schedules, identified as required supplementary information, 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 the Nazareth Independent School District's basic financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

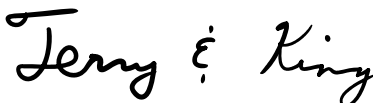
Management is responsible for the other information included in the annual report. The other information comprises the Schools FIRST Questionnaire but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other 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 basic 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 8, 2025, on our consideration of the Nazareth 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 the Nazareth Independent School District's 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 Nazareth Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
Lubbock, Texas
December 8, 2025

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Nazareth Independent School District’s annual financial report presents our discussion and analysis of the District’s financial performance during the 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 \$6,466,622 at August 31, 2025.
- During the year, the District’s expenses were \$335,698 less than the \$4,664,576 generated in taxes and other revenues for governmental activities.
- The total cost of the District’s programs increased \$138,317 or 3%, and no new programs were added this year. Of this increase, debt service fees increased 99,354 due to a bond issuance during the year.
- The general fund reported a fund balance this year of \$5,748,192.

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 custodian* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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

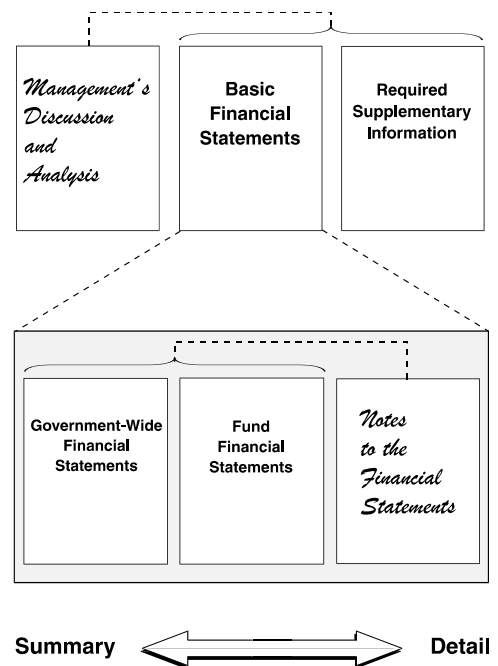


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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

<i>Type of Statements</i>	Fund Statements		
	Government-wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> ◆ Statement of net assets ◆ Statement of activities 	<ul style="list-style-type: none"> ◆ Balance sheet ◆ Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> ◆ Statement of fiduciary net assets ◆ Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

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 nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—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 and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

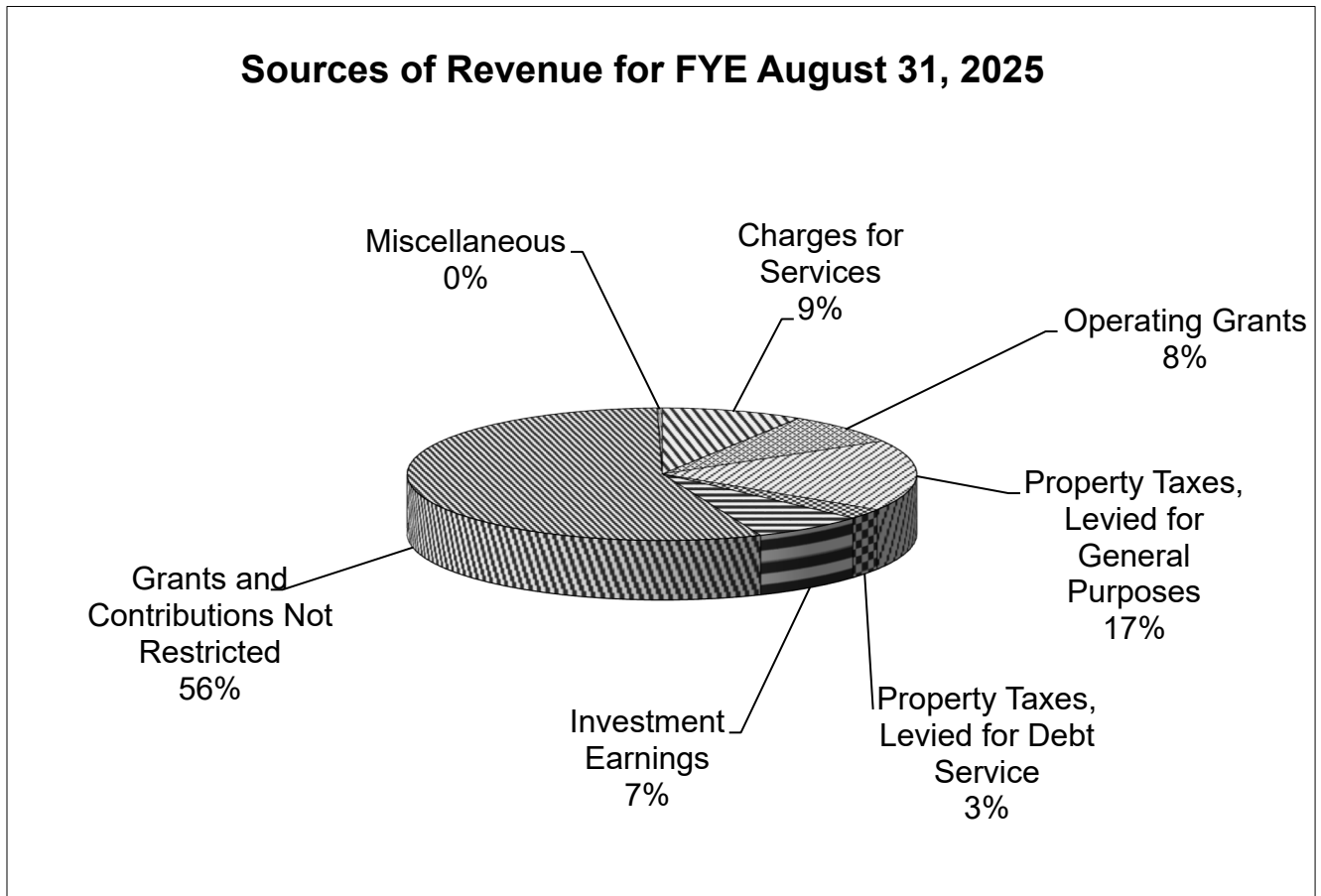
Net position. The District's combined net position was \$6,466,622 at August 31, 2025. (See Table A-1).

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

	Governmental Activities		Percentage Change
	August 31, 2025	August 31, 2024	
Current assets:			
Cash and Investments	8,272,168	5,721,159	45%
Due from other governments	101,749	76,623	33%
Taxes Receivable, net	5,957	32,637	-82%
Other current assets	1,027	-	0%
Total current assets:	8,380,901	5,830,419	44%
Noncurrent assets:			
Land	5,700	5,700	0%
Construction in Progress	6,800	-	100%
Buildings & Improvements	4,855,684	4,855,684	0%
Less accumulated depreciation, buildings & improvements	(3,548,580)	(3,408,263)	4%
Furniture & Equipment	1,397,771	1,336,145	5%
Less accumulated depreciation, furniture & equipment	(973,349)	(877,515)	11%
Total noncurrent assets	1,744,026	1,911,751	-9%
Total Assets	10,124,927	7,742,170	31%
Deferred Outflows of Resources			
Deferred Outflows	515,482	545,649	-6%
Current liabilities:			
Accounts Payable	36,034	21,766	66%
Accrued Wages Payable	166,673	145,376	15%
Accrued Expenses	3,732	10,772	-65%
Due within one year	30,231	60,000	-50%
Unearned Revenue	-	27,024	-100%
Total current liabilities	236,670	264,938	-11%
Long-term liabilities:			
Due in more than one year	2,257,686	50,000	4415%
Net Pension Liability	677,340	743,958	-9%
Net OPEB Liability	540,338	382,091	41%
Total long-term liabilities	3,475,364	1,176,049	196%
Total Liabilities	3,712,034	1,440,987	158%
Deferred Inflows of Resources			
Deferred Inflows	461,753	589,340	-22%
Net Position:			
Net Investment in Capital Assets	1,680,742	1,801,751	-7%
Restricted for Debt Service	274,930	261,882	5%
Unrestricted	4,510,950	4,193,859	8%
Total Net Position	6,466,622	6,257,492	3%

Changes in net position. The District's total revenues were \$4,664,576. A significant portion, 20 percent, of the District's revenue comes from taxes. (See Figure A-3.) 66 percent comes from grants and contributions, while 9 percent relates to charges for services.

The total cost of all programs and services was \$4,328,878; 47 percent of these costs are for instruction.



Governmental Activities

- In the prior year, the District's M&O property tax rate was \$0.85800 per \$100 value and a debt service tax rate of \$0.1300 per \$100 value. In the current year, the District's M&O tax rate was \$0.84250 and the debt service tax rate was \$0.1300 per \$100 value. Maintenance & Operation tax revenues collected decreased 8% from \$870,792 in FYE 2024 to \$795,605 in FYE August 31, 2025. Debt service taxes collected were \$129,622 in FYE 2024 and \$122,743 in FYE 2025. The total tax levy increased from \$898,214 in the prior period to \$920,459 in the current period.

Table A-2
Changes in Nazareth Independent School District's Net Position

	Governmental Activities		Percentage Change
	<u>2025</u>	<u>2024</u>	
Program Revenues:			
Charges for Services	420,570	311,651	35%
Operating Grants and Contributions	356,958	754,402	-53%
General Revenues:			
Property Taxes, Levied for General Purposes	810,764	607,775	33%
Property Taxes, Levied for Debt Service	117,590	99,072	19%
Grants and Contributions not restricted	2,610,950	2,618,855	0%
Investment Earnings	332,710	206,947	61%
Other	15,034	98,187	-85%
Total Revenues	<u>4,664,576</u>	<u>4,696,889</u>	-1%
Instruction	2,044,196	2,082,779	-2%
Instructional Resources and Media Services	36,654	45,310	-19%
Curriculum Development and Instructional Staff Development	9,702	10,031	-3%
Instructional Leadership	158,066	157,406	0%
School Leadership	256,440	170,109	51%
Guidance, Counseling and Evaluation Services	55,511	47,733	16%
Health Services	18,458	12,185	51%
Student (Pupil) Transportation	89,242	143,627	-38%
Food Services	206,292	248,676	-17%
Curricular/Extracurricular Activities	254,627	270,096	-6%
General Administration	363,648	294,867	23%
Plant Maintenance & Operation	454,977	558,980	-19%
Security and Monitoring	33,354	17,411	92%
Data Processing Services	53,446	47,565	12%
Interest on Long-Term Debt	44,094	6,875	541%
Debt Service Fees	100,194	840	11828%
Payments to Shared Service Arrangements	127,667	52,151	145%
Other Intergovernmental Charges	22,310	23,920	-7%
Total Expenses	<u>4,328,878</u>	<u>4,190,561</u>	3%
Increase (Decrease) in Net Position	335,698	506,328	-34%
Net Position - Beginning	6,257,492	5,751,164	9%
Prior Period Adjustment	(126,568)	-	-100%
Net Position - Ending	<u><u>6,466,622</u></u>	<u><u>6,257,492</u></u>	3%

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.

- The cost of all *governmental* activities this year was \$4,328,878.
- The amount that our taxpayers paid for these activities through property taxes was \$928,354.
- Some of the cost was paid by those who directly benefited from the programs \$420,570, or
- By grants and contributions \$2,967,908.

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services			Net Cost of Services		
	<u>2025</u>	<u>2024</u>	<u>% Change 2024-2025</u>	<u>2025</u>	<u>2024</u>	<u>% Change 2024-2025</u>
Instruction	2,044,196	2,082,779	(2%)	1,743,698	1,589,579	10%
School administration	363,648	294,867	23%	358,324	285,729	25%
Plant Maintenance & Operations	454,977	558,980	(19%)	424,338	527,170	(20%)
School Leadership	256,440	170,109	51%	248,763	160,212	55%
Extracurricular Activities	254,627	270,096	(6%)	157,960	163,515	(3%)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$4,785,992 a decrease of \$71,066 (1%) from the preceding year. Local Revenues increased \$3,249 (0%), state revenues increased \$29,226 (1%), and federal revenues decreased \$103,541 (34%).

Expenditures for governmental fund types totaled \$4,257,463, an increase of \$113,556 (3%) from the preceding year.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 3 times. With these adjustments, actual expenditures were \$397,073 below final budget amounts. The most significant positive variance was for extracurricular activities.

On the other hand, resources available were \$162,039 more than the final budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the District had invested \$6,265,955 in a broad range of capital assets, including, land, equipment, buildings, and vehicles. (See Table A-4.) This represents a net increase of \$68,426 including additions and deletions to fixed assets during the current fiscal year.

	Beginning <u>Balance</u>	<u>Increases</u>	Reclassifications/ <u>Decreases</u>	Ending <u>Balance</u>
Capital assets not being depreciated				
Land	\$ 5,700	\$ -	\$ -	\$ 5,700
Construction in progress	-	6,800	-	6,800
Total capital assets not being depreciated	5,700	6,800	-	12,500
Other capital assets				
Buildings and improvements	4,855,684	-	-	4,855,684
Furniture and equipment	1,336,145	61,626	-	1,397,771
Total other capital assets at historical cost	6,191,829	61,626	-	6,253,455
Less accumulated depreciation for				
Buildings and improvements	(3,408,263)	(140,317)	-	(3,548,580)
Furniture and equipment	(877,515)	(95,834)	-	(973,349)
Total accumulated depreciation and amortization	(4,285,778)	(236,151)	-	(4,521,929)
Other capital assets, net	1,906,051	(174,525)	-	1,731,526
Capital assets, net	\$ 1,911,751	\$ (167,725)	\$ -	\$ 1,744,026

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

Debt Administration and Long-Term Obligations

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

<u>Government Activities</u>	Balance <u>09/01/24</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>08/31/25</u>
General Obligation Bonds	\$ 110,000	\$ 2,150,000	\$ 110,000	\$ 2,150,000
Bond Premiums/(Discounts)	-	(1,302)	(29)	(1,273)
Compensated Absences	126,568	12,622	-	139,190
Net Pension Liability	743,958	-	66,618	677,340
Net OPEB Liability	382,091	158,247	-	540,338
Total	\$ 1,362,617	\$ 2,319,567	\$ 176,589	\$ 3,505,595

More detailed information about the District's long-term obligations is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2026 budget preparation is slightly higher.
- General operating fund spending per student will remain virtually the same.
- The District's 2026 refined average daily attendance is expected to remain approximately the same.

These indicators were taken into account when adopting the general fund budget for 2026. Property taxes will decrease. State revenue should increase.

Expenditures are budgeted to increase slightly. The District has added no major new programs or initiatives to the 2026 budget.

If these estimates are realized, the District's budgetary general fund fund balance is expected to increase slightly by the close of 2026.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Department.

BASIC FINANCIAL STATEMENTS

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

STATEMENT OF NET POSITION
August 31, 2025

1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 8,272,168
1225	Taxes Receivable, Net	5,957
1240	Due from Other Governments	101,749
1260	Due from Other Funds	1,027
	Capital Assets:	
1510	Land	5,700
1520	Buildings & Improvements, net	1,307,104
1530	Furniture & Equipment, net	424,422
1580	Construction in Progress	<u>6,800</u>
1000	<u>Total Assets</u>	<u>\$ 10,124,927</u>
	DEFERRED OUTFLOWS OF RESOURCES	
1706	Deferred Outflows - Pension	\$ 199,484
1707	Deferred Outflows - OPEB	<u>315,998</u>
	<u>Total Deferred Outflows of Resources</u>	<u>\$ 515,482</u>
	LIABILITIES:	
	Current Liabilities:	
2110	Accounts Payable	\$ 36,034
2160	Accrued Wages Payable	166,673
2200	Accrued Expenses	3,732
	Noncurrent Liabilities	
2501	Due within one year	30,231
2502	Due in more than one year	2,257,686
2540	Net Pension Liability	677,340
2545	Net OPEB Liability	<u>540,338</u>
2000	<u>Total Liabilities</u>	<u>3,712,034</u>
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Inflows - Pension	14,276
2606	Deferred Inflows - OPEB	<u>447,477</u>
	<u>Total Deferred Inflows of Resources</u>	<u>461,753</u>
	NET POSITION:	
3200	Net investment in capital assets	1,680,742
	Restricted:	
3850	Debt Service	274,930
3900	Unrestricted	<u>4,510,950</u>
3000	<u>TOTAL NET POSITION</u>	<u>\$ 6,466,622</u>

The accompanying notes are an integral part of this statement.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2025

Data Control	Codes	Functions/Programs	1	3	4	5	Net (Expense) Revenue and Changes in Net Position
			Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
		Government Activities:					
	11	Instruction and Instruction-Related Services	\$ 2,044,196	\$ 135,455	\$ 165,043	\$ -	\$ (1,743,698)
	12	Instructional Resources and Media Services	36,654	989	1,080	-	(34,585)
	13	Curriculum Development and Instructional Staff Development	9,702	-	5,326	-	(4,376)
	21	Instructional Leadership	158,066	81,394	62,924	-	(13,748)
	23	School Leadership	256,440	-	7,677	-	(248,763)
	31	Guidance, Counseling, & Evaluation Services	55,511	-	2,001	-	(53,510)
	33	Health Services	18,458	-	-	-	(18,458)
	34	Student (Pupil) Transportation	89,242	155	311	-	(88,776)
	35	Food Services	206,292	86,438	44,154	-	(75,700)
	36	Extracurricular Activities	254,627	94,382	2,285	-	(157,960)
	41	General Administration	363,648	-	5,324	-	(358,324)
	51	Plant Maintenance and Operations	454,977	21,757	8,882	-	(424,338)
	52	Security and Monitoring Services	33,354	-	24,465	-	(8,889)
	53	Data Processing	53,446	-	-	-	(53,446)
	72	Interest on Long-Term Debt	44,094	-	27,486	-	(16,608)
	73	Other Debt Service Fees	100,194	-	-	-	(100,194)
	93	Payments to Shared Service Arrangements	127,667	-	-	-	(127,667)
	99	Other Intergovernmental Charges	22,310	-	-	-	(22,310)
TG		<u>Total Government Activities</u>	<u>4,328,878</u>	<u>420,570</u>	<u>356,958</u>	<u>-</u>	<u>(3,551,350)</u>
TP		Total Primary Government	<u>4,328,878</u>	<u>420,570</u>	<u>356,958</u>	<u>-</u>	<u>(3,551,350)</u>
		General Revenues:					
MT		Property Taxes, Levied for General Purposes					810,764
DT		Property Taxes, Levied for Debt Service					117,590
IE		Investment Earnings					332,710
GC		Grants and Contributions Not Restricted to Specific Programs					2,610,950
MI		Miscellaneous					15,034
TR		Total General Revenues and Special Items					<u>3,887,048</u>
CN		Change in Net Position					335,698
NB		Net Position -- Beginning					6,257,492
PA		Prior Period Adjustment					<u>(126,568)</u>
NE		Net Position -- Ending					<u>\$ 6,466,622</u>

The accompanying notes are an integral part of this statement.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:						
1110	Cash and Cash Equivalents	\$ 5,840,089	\$ 269,067	\$ 2,085,443	\$ 77,569	\$ 8,272,168
1225	Taxes Receivable, Net	5,210	747	-	-	5,957
1240	Due from Other Governments	95,725	359	-	5,665	101,749
1260	Due from Other Funds	1,041	4,756	-	-	5,797
1000	<u>TOTAL ASSETS</u>	<u>\$ 5,942,065</u>	<u>\$ 274,929</u>	<u>\$ 2,085,443</u>	<u>\$ 83,234</u>	<u>\$ 8,385,671</u>
LIABILITIES:						
Current Liabilities:						
2110	Accounts Payable	\$ 36,035	\$ -	\$ -	\$ -	\$ 36,035
2160	Accrued Wages Payable	144,895	-	-	21,778	166,673
2170	Due to Other Funds	4,756	-	-	14	4,770
2200	Accrued Expenditures	2,977	-	-	755	3,732
2,300	Unearned Revenue	-	-	-	-	-
2000	<u>Total Liabilities</u>	<u>188,663</u>	<u>-</u>	<u>-</u>	<u>22,547</u>	<u>211,210</u>
DEFERRED INFLOWS OF RESOURCES:						
2601	Unavailable Revenue - Property Taxes	5,210	747	-	-	5,957
	<u>Total Deferred Inflows of Resources</u>	<u>5,210</u>	<u>747</u>	<u>-</u>	<u>-</u>	<u>5,957</u>
FUND BALANCES:						
Restricted Fund Balances:						
3470	Capital Acquisition Program	-	-	2,085,443	-	2,085,443
3480	Debt Service	-	274,182	-	-	274,182
Committed Fund Balances:						
3510	Construction	600,000	-	-	-	600,000
3530	Capital Expenditures for Equipment	300,000	-	-	-	300,000
3545	Other Committed Fund Balance	382,179	-	-	-	382,179
Assigned Fund Balances:						
3590	Other Assigned Fund Balances	-	-	-	60,687	60,687
3600	Unassigned	4,466,013	-	-	-	4,466,013
3000	<u>Total Fund Balance</u>	<u>5,748,192</u>	<u>274,182</u>	<u>2,085,443</u>	<u>60,687</u>	<u>8,168,504</u>
4000	<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	<u>\$ 5,942,065</u>	<u>\$ 274,929</u>	<u>\$ 2,085,443</u>	<u>\$ 83,234</u>	<u>\$ 8,385,671</u>

The accompanying notes are an integral part of this statement.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
August 31, 2025

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 8,168,504
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,744,026
2 Other long-term assets are not available to pay for current-period expenditures and therefore are unearned in the funds.	5,958
3 Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,287,917)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$199,484, a deferred resource inflow in the amount of \$14,276, and a net pension liability in the amount of \$677,340. This resulted in a decrease in net position.	(492,132)
5 Included in the items related to debt is the recognition of the District's proportionate share of the OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$315,998, a deferred resource inflow in the amount of \$447,477, and a net OPEB liability in the amount of \$540,338. This resulted in a decrease in net position	<u>(671,817)</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ 6,466,622</u>

The accompanying notes are an integral part of this statement.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:					
5700 Local and Intermediate Sources	\$ 1,239,670	\$ 139,773	\$ 38,312	\$ 325,594	\$ 1,743,349
5800 State Program Revenues	2,780,056	27,486	-	34,881	2,842,423
5900 Federal Program Revenues	3,300	-	-	196,920	200,220
5020 <u>Total Revenues</u>	<u>4,023,026</u>	<u>167,259</u>	<u>38,312</u>	<u>557,395</u>	<u>4,785,992</u>
EXPENDITURES:					
Current:					
0011 Instruction and Instruction-Related Services	1,805,901	-	-	167,831	1,973,732
0012 Instructional Resources and Media Services	36,537	-	-	-	36,537
0013 Curriculum Development and Instructional Staff Development	4,376	-	-	6,315	10,691
0021 Instructional Leadership	18,526	-	-	141,753	160,279
0023 School Leadership	246,513	-	-	-	246,513
0031 Guidance, Counseling, & Evaluation Services	53,607	-	-	-	53,607
0033 Health Services	17,316	-	-	-	17,316
0034 Student (Pupil) Transportation	83,806	-	-	155	83,961
0035 Food Services	-	-	-	196,635	196,635
0036 Cocurricular/Extracurricular Activities	230,955	-	-	71,941	302,896
0041 General Administration	345,255	-	-	-	345,255
0051 Plant Maintenance and Operations	433,704	-	-	-	433,704
0052 Security and Monitoring Services	9,043	-	-	24,378	33,421
0053 Data Processing Services	53,446	-	-	-	53,446
0071 Principal on Long-Term Debt	-	110,000	-	-	110,000
0072 Interest on Long-Term Debt	-	44,094	-	-	44,094
0073 Bond Issuance Costs and Fees	-	865	99,300	-	100,165
0081 Capital Outlay	4,533	-	2,267	-	6,800
0093 Payments to Shared Service Arrangements	127,668	-	-	-	127,668
0099 Other Intergovernmental Charges	22,310	-	-	-	22,310
6030 <u>Total Expenditures</u>	<u>3,493,496</u>	<u>154,959</u>	<u>101,567</u>	<u>609,008</u>	<u>4,359,030</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	529,530	12,300	(63,255)	(51,613)	426,962
Other Financing Sources and (Uses):					
7911 Capital-Related Debt Issued (Regular Bonds)	-	-	2,150,000	-	2,150,000
7915 Operating Transfers In	-	-	-	62,497	62,497
7916 Premium or Discount on Issuance of Bonds	-	-	(1,302)	-	(1,302)
8911 Operating Transfers Out	(62,497)	-	-	-	(62,497)
Total Other Financing Sources and (Uses)	<u>(62,497)</u>	<u>-</u>	<u>2,148,698</u>	<u>62,497</u>	<u>2,148,698</u>
1200 Net Change in Fund Balances	467,033	12,300	2,085,443	10,884	2,575,660
0100 Fund Balances -- Beginning	5,281,159	261,882	-	49,803	5,592,844
3000 <u>Fund Balances -- Ending</u>	<u>\$ 5,748,192</u>	<u>\$ 274,182</u>	<u>\$ 2,085,443</u>	<u>\$ 60,687</u>	<u>\$ 8,168,504</u>

The accompanying notes are an integral part of this statement.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

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 \$ 2,575,660

Amounts reported for governmental activities in the statement of activities ("SOA") are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays during the current period. 68,426

The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets. (236,151)

Compensated absences are not recognized in the fund statements as a liability. The changes to this estimated liability are recorded in the government-wide statements as a payroll expense. (12,622)

Certain property tax revenues are unearned in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts changed during the current period. (26,679)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. (2,150,000)

For the statement of net position, the amortization of bond premiums is recognized over the life of the bonds. This is the amount of the current amortization. 1,273

Repayment of debt principal is an expenditure in the governmental funds, but is a reduction of long-term debt in the statement of net position. This amount is the total debt principal repaid for capital leases, loans & bonded indebtedness. 110,000

GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$63,504. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$62,488. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$50,586. The net result is a decrease in the change in net position. (49,570)

GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$17,051. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$16,171. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$54,481. The result is an increase in the change in net position 55,361

Change in Net Position of Governmental Activities -- Statement of Activities \$ 335,698

The accompanying notes are an integral part of this statement.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
August 31, 2025

	<u>Custodial Funds</u>	
	<u>Scholarships</u>	<u>Student Activity</u>
ASSETS:		
Cash and Cash Equivalents	\$ 39,935	\$ 159,555
Due from Other Funds	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 39,935</u>	<u>\$ 159,555</u>
LIABILITIES:		
Due to Other Funds	\$ -	\$ 1,027
TOTAL LIABILITIES	<u>-</u>	<u>1,027</u>
NET POSITION:		
Restricted for:		
Scholarships	\$ 39,935	\$ -
Students	<u>-</u>	<u>158,528</u>
TOTAL NET POSITION	<u>\$ 39,935</u>	<u>\$ 158,528</u>

The accompanying notes are an integral part of this statement.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended August 31, 2025

	<u>Custodial Funds</u>	
	<u>Scholarships</u>	<u>Student Activity</u>
ADDITIONS:		
Contributions/Gifts	\$ -	\$ -
Investment Earnings	942	-
Fundraising Activity	-	119,917
Total Additions	<u>942</u>	<u>119,917</u>
DEDUCTIONS:		
Student Activities	-	114,219
Scholarships	<u>-</u>	<u>-</u>
Total Deductions	<u>-</u>	<u>114,219</u>
Net Increase (Decrease) in Fiduciary Net Position	942	5,698
Net Position - Beginning	<u>38,993</u>	<u>152,830</u>
Net Position - Ending	<u>\$ 39,935</u>	<u>\$ 158,528</u>

The accompanying notes are an integral part of this statement.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2025

A. Summary of Significant Accounting Policies

The basic financial statements of Nazareth 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 group, 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 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" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No. 39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide 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 over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non exchange transactions.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 2
Year Ended August 31, 2025

A. Summary of Significant Accounting Policies (Continued)

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 of 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 is the District's fund for the collection of revenues from property taxes for the specific purpose of retiring loans and bonded indebtedness.

Capital Projects Fund: This fund is used to report the District's construction and investment in physical plant and other capital assets.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Except for the food service fund, any unused balances are returned to the grantor at the close of specific project periods. The food service fund is the only required budgeted special revenue fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 3
Year Ended August 31, 2025

A. Summary of Significant Accounting Policies (Continued)

Custodial Fund: A fiduciary fund type, accounts for resources held for others in a custodial capacity. The District holds Custodial Funds for scholarships and student activity funds.

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 the District's 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. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the 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. Revenues from grants, entitlements, and donations are 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, the 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.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 4
Year Ended August 31, 2025

A. Summary of Significant Accounting Policies (Continued)

Grant funds are considered earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

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, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under leases are reported as other financing sources.

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of bonds and are restricted by State Statute. Capital projects are restricted by State Statute and are legally segregated for funding of capital improvements.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

Assigned: This classification represents amounts the District intends to use for a specific purpose but does not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. Specific amounts that are not restricted or committed in a special revenue fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Fund balance can be assigned by the Superintendent or their designee.

Unassigned: This classification includes the residual fund balance for the General Fund.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 5
Year Ended August 31, 2025

A. Summary of Significant Accounting Policies (Continued)

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.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

3. Accounting Standard Implementation

During the fiscal year August 31, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101 (Compensated Absences). According to the standard, liabilities for compensated absences should be recognized in financial statements prepared using the economic resources measurement focus for (a) leave that has not been used and (b) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

4. Financial Statement Amounts

a. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and State Treasurer's Investment Pool.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 6
Year Ended August 31, 2025

A. Summary of Significant Accounting Policies (Continued)

b. Property Taxes

Property taxes are levied by October 1 on assessed value listed as of the prior January 1st 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 1st of the year following the year in which imposed. On January 1st 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.

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. As of August 31, 2025, the amount deemed uncollectible by this estimate was \$2,967. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide. Certain payments to vendors reflect the cost applicable to future periods and are recorded as prepaid items.

d. 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 the period end.

e. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 7
Year Ended August 31, 2025

A. Summary of Significant Accounting Policies (Continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	5-15
Office Equipment and Furniture	3-15
Computer Equipment	3

f. 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 on the government-wide statement of net position.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 8
Year Ended August 31, 2025

A. Summary of Significant Accounting Policies (Continued)

h. 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's 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.

i. 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.

j. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Items reported as deferred outflows of resources are as follows:

Deferred charges related to TRS retirement	\$ 199,484
Deferred charges related to TRS OPEB	\$ 315,998

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 9
Year Ended August 31, 2025

A. Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has one type of item which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. Items reported as deferred inflows of resources are as follows:

Deferred property tax revenues	\$	5,957
Deferred charges related to TRS retirement	\$	14,276
Deferred charges related to TRS OPEB	\$	447,477

k. Data Control Codes

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

l. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 10
Year Ended August 31, 2025

B. Stewardship, 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

2. Budgetary Information

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's Financial Accounting and Reporting module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Child Nutrition Fund, Debt Service Fund, and Capital Projects Fund. The remaining special revenue funds adopt project-length budgets that do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting that is consistent with generally accepted accounting principles.

3. Fair Value Measurements

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 11
Year Ended August 31, 2025

B. Stewardship, Compliance and Accountability (continued)

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

C. Deposits and Investments

Under Texas state law, 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 the 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.

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 \$8,471,658 and the bank balance was \$8,501,309. The District's cash deposits at August 31, 2025 and during the period then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 12
Year Ended August 31, 2025

C. Deposits and Investments (Continued)

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 principle 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 financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

State statutes and Board policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of state, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than “A” or its equivalent; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) obligations of the state of Texas or its agencies; 5) other obligations guaranteed by the U.S. or the state of Texas or their agencies and instrumentalities; 6) fully collateralized repurchase agreements; and 7) public funds investment pools. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the FDIC or obligations of items 1-4 above at 102% of the investment’s market value.

The District did not hold any investments at August 31, 2025 and during the year then ended.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 13
Year Ended August 31, 2025

C. Deposits and Investments (Continued)

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 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.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 14
Year Ended August 31, 2025

C. Deposits and Investments (Continued)

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 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.

D. Capital Assets

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

	Beginning <u>Balance</u>	<u>Increases</u>	Reclassifications/ <u>Decreases</u>	Ending <u>Balance</u>
Capital assets not being depreciated				
Land	\$ 5,700	\$ -	\$ -	\$ 5,700
Construction in progress	<u>-</u>	<u>6,800</u>	<u>-</u>	<u>6,800</u>
Total capital assets not being depreciated	<u>5,700</u>	<u>6,800</u>	<u>-</u>	<u>12,500</u>
Other capital assets				
Buildings and improvements	4,855,684	-	-	4,855,684
Furniture and equipment	<u>1,336,145</u>	<u>61,626</u>	<u>-</u>	<u>1,397,771</u>
Total other capital assets at historical cost	<u>6,191,829</u>	<u>61,626</u>	<u>-</u>	<u>6,253,455</u>
Less accumulated depreciation for				
Buildings and improvements	(3,408,263)	(140,317)	-	(3,548,580)
Furniture and equipment	<u>(877,515)</u>	<u>(95,834)</u>	<u>-</u>	<u>(973,349)</u>
Total accumulated depreciation and amortization	<u>(4,285,778)</u>	<u>(236,151)</u>	<u>-</u>	<u>(4,521,929)</u>
Other capital assets, net	<u>1,906,051</u>	<u>(174,525)</u>	<u>-</u>	<u>1,731,526</u>
Capital assets, net	<u>\$ 1,911,751</u>	<u>\$ (167,725)</u>	<u>\$ -</u>	<u>\$ 1,744,026</u>

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 15
Year Ended August 31, 2025

D. Capital Assets (Continued)

Depreciation and Amortization was charged to functions as follows:		
11	Instruction	\$ 130,123
23	School Leadership	16,253
31	Guidance Counseling & Evaluation	3,535
33	Health Services	1,142
34	Student (Pupil) Transportation	5,537
35	Food Service	12,967
36	Cocurricular/Extracurricular Activities	15,230
41	General Administration	22,768
51	Plant Maintenance & Operations	28,596
		<u>\$ 236,151</u>

E. Interfund Transfers

The General Fund transferred \$62,497 to the Food Service Fund to cover the operating deficit in the food service program.

F. Interfund Balances

These interfund receivables and payables represent balances not paid as of year-end. All amounts due are scheduled to be repaid within one year.

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>General Fund:</u>		
Other Governmental Funds	\$ 14	\$ -
Debt Service Fund	-	4,756
Fiduciary Funds	<u>1,027</u>	<u>-</u>
Total General Fund	1,041	4,756
<u>Other Governmental Funds:</u>		
General Fund	<u>-</u>	<u>14</u>
<u>Debt Service Fund:</u>		
General Fund	<u>4,756</u>	<u>-</u>
<u>Fiduciary Funds:</u>		
General Fund	<u>-</u>	<u>1,027</u>
Total Funds	<u><u>5,797</u></u>	<u><u>5,797</u></u>

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 16
Year Ended August 31, 2025

G. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

H. Long-Term Obligations

During each year while bonds are outstanding, the District is required to levy and collect sufficient ad valorem taxes to provide for the payment of principal and interest as it becomes due. The District complied with all significant limitations and restrictions contained in the bond indentures. Interest costs of \$44,094 were charged to expense in the current fiscal year.

1. Changes in long-term obligations for the year ended August 31, 2025, are as follows:

<u>Governmental</u> <u>Activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
General Obligation Bonds	\$ 110,000	\$ 2,150,000	\$ 110,000	\$ 2,150,000	\$ -
Bond Premium/(Discount)	-	(1,302)	(29)	(1,273)	-
Compensated Absences*	126,568	12,622	-	139,190	30,231
Net Pension Liability	743,958	-	66,618	677,340	-
Net OPEB Liability	<u>382,091</u>	<u>158,247</u>	<u>-</u>	<u>540,338</u>	<u>-</u>
Total governmental activities	<u>\$ 1,362,617</u>	<u>\$ 2,319,567</u>	<u>\$ 176,589</u>	<u>\$ 3,505,595</u>	<u>\$ 30,231</u>

*The change in balances of compensated absences is reported as a net increase or decrease.

<u>General Obligation Bonds – Descriptions</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u> <u>Of Original</u> <u>Issue</u>	<u>Amount</u> <u>Outstanding</u> <u>8/31/2025</u>
Unlimited Tax School Building Bonds, Series 2024	4.00% - 5.00%	02-15-2055	\$ 2,150,000	\$ 2,150,000

2. Debt service requirements on general obligation bonds at August 31, 2025, are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ -	\$ 95,700	\$ 95,700
2027	35,000	94,825	129,825
2028	35,000	93,075	128,075
2029	40,000	91,200	131,200
2030	40,000	89,200	129,200
2031-2035	245,000	411,625	656,625
2036-2040	310,000	342,750	652,750
2041-2045	385,000	265,150	650,150
2046-2050	475,000	176,906	651,906
2051-2055	<u>585,000</u>	<u>63,644</u>	<u>648,644</u>
	<u>\$ 2,150,000</u>	<u>\$ 1,724,075</u>	<u>\$ 3,874,075</u>

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 17
Year Ended August 31, 2025

I. Defined Benefit Pension Plan

1. Plan Description

The District participates in a multiple-employer, cost-sharing, defined benefit pension plan 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/learning-resources/publications>; by writing to TRS at attention Finance Division, PO Box 149676, Austin, TX 78714-0185, or by calling 1-800-223-8778.

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, 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 under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 18
Year Ended August 31, 2025

I. Pension Plan (continued)

description in (1) above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living-adjustment (COLA).

One-Time Stipends

Stipends, regardless of annuity amount, were paid in September 2023 to annuitants who met the qualifying age requirements on or before August 31, 2023:

- A one-time \$7,500 stipend to eligible annuitants who are 75 years of age and older.
- A one-time \$2,400 stipend to eligible annuitants age 70 to 74.

Cost-of-Living Adjustment

A cost-of-living adjustment (COLA) was dependent on Texas voters approving a constitutional amendment (Proposition 9) to authorize the COLA. Voters approved the amendment in the November 2023 election and the following COLA was applied to eligible annuitants' payments beginning with their January 2024 payment:

- 2% COLA for eligible retirees who retired between September 1, 2013 through August 31, 2020.
- 4% COLA for eligible retirees who retired between September 1, 2001 through August 31, 2013.
- 6% COLA for eligible retirees who retired on or before August 31, 2001.

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 this 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% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 19
Year Ended August 31, 2025

I. Pension Plan (continued)

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 2019 thru 2025.

<u>Contribution Rates</u>		
	<u>2024</u>	<u>2025</u>
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
Current Fiscal Year Employer Contributions		\$ 63,504
Current Fiscal Year Member Contributions		\$ 183,358
2024 Measurement Year NECE On-behalf Contributions		\$ 138,860

Contributors to the plan include active members, employers, and the State of Texas as the only non-employer contributing entity. The State is also the employer for senior colleges and universities, medical schools, and other entities, 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 schools, junior colleges, other entities, or the State of Texas as the employer for senior colleges, universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the 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 funding sources, a privately sponsored source, from non-educational and general, or local funds.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 20
Year Ended August 31, 2025

I. Pension Plan (continued)

- 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% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there is a surcharge an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 1.9% of the member’s salary beginning in fiscal year 2024, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

5. Actuarial Assumptions

The total pension liability in the August 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

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 Rate	7.00%
Municipal Bond Rate as of August 2024	3.87%. 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.
Last year ending August 31 in projection period (100 years)	2123
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 21
Year Ended August 31, 2025

I. Pension Plan (continued)

For a full description of these assumptions please see the actuarial valuation report dated November 21, 2023.

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 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 those assumptions, the pension plan's fiduciary net position was projected to be available to make all 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%. The long-term expected rate of return on pension 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

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 22
Year Ended August 31, 2025

I. Pension Plan (continued)

Asset Class	Target Allocation%**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long- Term Portfolio Returns
Global Equity			
USA	18%	4.4%	1.0%
Non-U.S. Developed	13%	4.2%	0.8%
Emerging Markets	9%	5.2%	0.7%
Private Equity	14%	6.7%	1.2%
Stable Value			
Government Bonds	16%	1.9%	0.4%
Stable Value Hedge Funds	5%	3.0%	0.2%
Absolute Return*	0%	4.0%	0.0%
Real Return			
Real Estate	15%	6.6%	1.2%
Energy, Natural Resources, and Infrastructure	6%	5.6%	0.4%
Commodities	0%	2.5%	0.0%
Risk Parity			
Risk Parity	8%	4.0%	0.4%
Asset Allocation Leverage			
Cash	2%	1.0%	0.0%
Asset Allocation Leverage	<u>(6%)</u>	1.3%	(0.1%)
Total	<u>100%</u>		
Inflation Expectation			2.4%
Volatility Drag****			(0.7%)
Expected Return			7.9%

*Absolute Return includes Credit Sensitive Investments.

**Target allocations are based on the FY2024 policy model.

***Capital Market Assumptions (CMA) come from 2024 SAA Study CMA Survey (as of 12/31/2023).

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

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 23
Year Ended August 31, 2025

I. Pension Plan (continued)

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (7.00%) in measuring the Net pension liability.

	<u>1% Decrease in Discount Rate (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase in Discount Rate (8.00%)</u>
District's proportionate Share of the net pension liability:	\$ 1,081,884	\$ 677,340	\$ 342,147

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 \$677,340 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 were as follows:

District's Proportionate share of the collective net pension liability	\$ 677,340
State's proportionate share that is associated with the District	<u>\$ 1,505,166</u>
Total	<u>\$ 2,182,506</u>

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 employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023 thru August 31, 2024.

At August 31, 2024, the employer's proportion of the collective net pension liability was 0.0011088638% which was an increase of 0.0000258030% from its proportion measured as of August 31, 2023.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 24
Year Ended August 31, 2025

I. Pension Plan (continued)

The 2023 Texas Legislature passed Senate Bill 10 (SB 10), which provided a stipend payment to certain retirees and variable ad hoc cost-of-living adjustments (COLA) to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of \$1.645 billion for one-time stipends and \$3.355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

For the year ended August 31, 2025, the District recognized pension expense of \$292,966 and revenue of \$179,892 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 37,334	\$ 5,288
Changes in actuarial assumptions	34,973	4,689
Difference between projected and actual investment earnings	4,117	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>59,556</u>	<u>\$ 4,299</u>
Total as of August 31, 2024 measurement date	\$ 135,980	\$ 14,276
Contributions paid to TRS subsequent to the measurement date	<u>63,504</u>	<u>\$ -</u>
Total as of fiscal year-end	<u>\$ 199,484</u>	<u>\$ 14,276</u>

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

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2026	\$ 18,984
2027	89,407
2028	20,977
2029	(11,485)
2030	3,821
Thereafter	-

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 25
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 benefit 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

Detailed information about the TRS-Care's fiduciary net position is available in the separately issued TRS 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/learning-resources/publications>; by writing to TRS at P.O. Box 149676 Austin, TX 78714-0185; or by calling (800) 223-8778.

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.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 26
Year Ended August 31, 2025

J. Defined Other Post-Employment Benefit Plans (continued)

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

2024 TRS-Care Monthly Premium Rates

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family *or surviving spouse	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 based on active employee compensation. The TRS Board does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.65% 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 prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee’s pay for fiscal year 2024. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>2024</u>	<u>2025</u>
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%
Current Fiscal Year Employer Contributions	\$ 17,051	
Current Fiscal Year Member Contributions	\$ 14,447	
2024 Measurement Year NECE On-behalf Contributions	\$ 20,262	

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 27
Year Ended August 31, 2025

J. Defined Other Post-Employment Benefit Plans (continued)

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS-Care OPEB program). When hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of \$535 per retiree.

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.

Demographic Assumptions – The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of the Teacher Retirement System of Texas (TRS). The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2021.

Mortality Assumptions - 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.

Election Rates – Normal Retirement – 62 percent participation rate prior to age 65 and 25 percent participation rate after age 65. Pre-65 retirees – 30 percent of pre-65 retirees are assumed to discontinue coverage at age 65.

Health Care Trend Rates – The initial medical trend rates were 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.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 28
Year Ended August 31, 2025

J. Defined Other Post-Employment Benefit Plans (continued)

Actuarial Methods and Assumptions

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
Ad hoc-post-employment benefit changes	None

6. Discount Rate

A single discount rate of 3.87% 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.

Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate.

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

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 29
Year Ended August 31, 2025

J. Defined Other Post-Employment Benefit Plans (continued)

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.

	<u>1% Decrease in Discount Rate (2.87%)</u>	<u>Discount Rate (3.87%)</u>	<u>1% Increase in Discount Rate (4.87%)</u>
District's proportionate Share of the Net OPEB Liability:	\$ 641,947	\$ 540,338	\$ 458,236

8. Healthcare Cost Trend Rate Sensitivity Analysis

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate Share of the Net OPEB Liability:	\$ 440,025	\$ 540,338	\$ 671,056

9. 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 \$540,338 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:

District's Proportionate share of the collective net OPEB liability	\$ 540,338
State's proportionate share that is associated with the District	<u>\$ 677,036</u>
Total	<u>\$ 1,217,374</u>

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 30
Year Ended August 31, 2025

J. Defined Other Post-Employment Benefit Plans (continued)

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 employer's proportion of the Net OPEB Liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2023 thru August 31, 2024.

At August 31, 2024 the employer's proportion of the collective Net OPEB Liability was 0.0017802654% which was an increase of 0.0000543362% from its proportion measured as of August 31, 2023.

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 single discount rate changed from 4.13 percent as of August 31, 2023 to 3.87 percent as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.
- The tables used to model the impact of aging on the underlying claims were revised.

Changes of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2025, the District recognized OPEB expense of \$(126,312) and revenue of \$(88,002) for support provided by the State.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 31
Year Ended August 31, 2025

J. Defined Other Post-Employment Benefit Plans (continued)

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 OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 103,565	\$ 269,658
Changes in actuarial assumptions	\$ 69,157	\$ 176,306
Difference between projected and actual investment earnings	\$ -	\$ 1,513
Changes in proportion and difference between The employer's contributions and the Proportionate share of contributions	\$ 126,225	\$ -
Total as of August 31, 2024 measurement date	<u>\$ 298,947</u>	<u>\$ 447,477</u>
Contributions paid to TRS subsequent to the measurement date	\$ 17,051	\$ -
Total as of fiscal year-end	<u>\$ 315,998</u>	<u>\$ 447,477</u>

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

<u>Year ended August 31:</u>	<u>OPEB Expense Amount</u>
2026	\$ (52,374)
2027	(27,901)
2028	(40,618)
2029	(31,083)
2030	(15,641)
Thereafter	19,087

K. Medicare Part D

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 expenditures for eligible TRS-Care participants. The District's portion of subsidy reimbursements received by TRS for the years ended August 31, 2025, 2024, and 2023 were \$14,986, \$10,524, and \$10,470, respectively.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 32
Year Ended August 31, 2025

L. Health Care Coverage

The District sponsors a fully insured health insurance plan to provide health care benefits to staff members and their dependents. The District paid premiums of \$225 per month for staff members participating in the plan. Staff members, at their option, authorized payroll deductions to pay premiums for their dependents. All premiums were paid to a licensed insurer.

M. Unemployment Compensation Pool

During the year ended August 31, 2025, Nazareth ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligations to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2025, the Fund anticipates that Nazareth ISD has no additional liability beyond the contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2024 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin, Texas.

N. Workers' Compensation

During the year ended August 31, 2025, Nazareth ISD met its statutory workers' compensation obligations through participation in West Texas Educational Insurance Association (the "Fund") which was administered by Claims Administrative Services, Inc. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 33
Year Ended August 31, 2025

N. Workers' Compensation (continued)

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of \$1 million. For the year ended August 31, 2025, the Fund purchased excess coverage from a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. The District paid a fixed cost of \$4,995 during the year ended August 31, 2025.

O. 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.

O. Litigation

From time to time the District is party to various legal proceedings which occur in the District's operations. These legal proceedings are not expected to have an adverse impact on the operations or affected funds of the District.

P. Commitments and 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 collectability 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.

Q. Property Tax Abatement

Nazareth ISD entered into an agreement with Castro Solar One, LLC on October 12, 2022. The agreement was for Castro Solar One, LLC to invest capital of \$268,000,000 on a long-term basis for a valuation limitation of \$15,000,000. For fiscal year 2025, which is year 2 of the agreement, the M&O tax rate is \$0.8425 per \$100, and the property is valued at \$0 without considering the limitation and \$0 with the limitation. When calculated, the district forgoes collecting \$0 in tax revenue. In future years, abated tax collections will be offset by the increase in state funding through the FSP funding formula and a possible Revenue Protection Payment. In addition to the tax abatement, Castro Solar One, LLC has committed to pay supplemental payments to the district of \$50,000.

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 34
Year Ended August 31, 2025

R. Shared Service Arrangements

The District participates in a shared service arrangement for special education and alternative education with Hart ISD.

Nazareth ISD is the fiscal agent manager and is responsible for all financial activities of the shared service arrangement. All the financial activities of the shared service arrangement are accounted for and included in the financial statements of Nazareth Independent School District. The District, as fiscal agent, is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the member district.

S. Prior Period Adjustment – Compensated Absences

The implementation of GASBS No. 101 – Compensated Absences resulted in a prior period adjustment decreasing the beginning net position of the District by \$126,568.

According to the standard, liabilities for compensated absences should be recognized in financial statements prepared using the economic resources measurement focus for (a) leave that has not been used and (b) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

The District is required to provide employees five days per year of state personal leave, with no limit on accumulation and no restrictions on transfer among districts. Additionally, per local policy, each employee earns five paid local leave days per school year. Local leave is noncumulative.

REQUIRED SUPPLEMENTARY INFORMATION

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2025

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,171,946	\$ 1,171,946	\$ 1,239,670	\$ 67,724
5800	State Program Revenues	2,686,541	2,686,541	2,780,056	93,515
5900	Federal Program Revenues	2,500	2,500	3,300	800
5020	Total Revenues	<u>3,860,987</u>	<u>3,860,987</u>	<u>4,023,026</u>	<u>162,039</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	1,888,099	1,884,099	1,805,901	78,198
0012	Instructional Resources and Media Services	40,935	40,935	36,537	4,398
0013	Curriculum Dev. & Instructional Staff Dev.	8,390	8,390	4,376	4,014
0021	Instructional Leadership	24,271	24,271	18,526	5,745
0023	School Leadership	262,409	262,409	246,513	15,896
0031	Guidance, Counseling & Evaluation Services	57,987	57,987	53,607	4,380
0033	Health Services	18,870	18,870	17,316	1,554
0034	Student (Pupil) Transportation	103,009	103,009	83,806	19,203
0036	Curricular/Extracurricular Activities	339,690	339,690	230,955	108,735
0041	General Administration	342,029	346,029	345,255	774
0051	Plant Maintenance and Operations	511,040	511,040	433,704	77,336
0052	Security and Monitoring Services	33,340	33,340	9,043	24,297
0053	Data Processing Services	62,500	62,500	53,446	9,054
0081	Capital Outlay	107,500	32,500	4,533	27,967
0093	Payments to Fiscal Agent/Member Dist. SSA	58,500	133,500	127,668	5,832
0099	Other Intergovernmental Charges	32,000	32,000	22,310	9,690
6030	Total Expenditures	<u>3,890,569</u>	<u>3,890,569</u>	<u>3,493,496</u>	<u>397,073</u>
Other Financing Sources (Uses):					
8911	Transfers Out	(100,663)	(100,663)	(62,497)	38,166
	Total Other Financing Sources and (Uses)	<u>(100,663)</u>	<u>(100,663)</u>	<u>(62,497)</u>	<u>38,166</u>
1200	Net Change in Fund Balance	(130,245)	(130,245)	467,033	597,278
0100	Fund Balance - Beginning	<u>5,281,159</u>	<u>5,281,159</u>	<u>5,281,159</u>	-
3000	Fund Balance - Ending	<u>\$ 5,150,914</u>	<u>\$ 5,150,914</u>	<u>\$ 5,748,192</u>	<u>\$ 597,278</u>

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
For the Year Ended August 31, 2025

	Measurement Year Ended August 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.0011088638%	0.0010830608%	0.0010180281%	0.0009199465%	0.0008738915%	0.0009217683%	0.0008702049%	0.0008720283%	0.0008075214%	0.0009499000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 677,340	\$ 743,958	\$ 604,377	\$ 234,278	\$ 468,038	\$ 479,164	\$ 478,982	\$ 278,828	\$ 305,150	\$ 335,777
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,505,166	1,668,761	1,436,638	626,092	1,296,750	1,117,872	1,224,643	723,756	997,186	952,103
Total	\$ 2,182,506	\$ 2,412,719	\$ 2,041,015	\$ 860,370	\$ 1,764,788	\$ 1,597,036	\$ 1,703,625	\$ 1,002,584	\$ 1,302,336	\$ 1,287,880
District's Covered Employee Payroll	\$ 2,070,641	\$ 1,927,832	\$ 1,767,214	\$ 1,617,157	\$ 1,540,716	\$ 1,344,738	\$ 1,295,028	\$ 1,257,491	\$ 1,321,761	\$ 1,320,010
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	32.71%	38.59%	34.20%	14.49%	30.38%	35.63%	36.99%	22.17%	23.09%	25.44%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	77.51%	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

SCHEDULE OF THE DISTRICT CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM
For the Year Ended August 31, 2025

	Fiscal Year Ended August 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 63,504	\$ 62,488	\$ 55,672	\$ 47,504	\$ 39,258	\$ 36,650	\$ 33,048	\$ 29,591	\$ 28,580	\$ 25,731
Contribution in Relation to the Contractually Required Contribution	(63,504)	(62,488)	(55,672)	(47,504)	(39,258)	(36,650)	(33,048)	(29,591)	(28,580)	(25,731)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Employee Payroll	\$ 2,222,528	\$ 2,070,641	\$ 1,927,832	\$ 1,767,214	\$ 1,617,157	\$ 1,540,716	\$ 1,344,738	\$ 1,295,028	\$ 1,257,491	\$ 1,321,761
Contributions as a percentage of Covered Employee Payroll	2.86%	3.02%	2.89%	2.69%	2.43%	2.38%	2.46%	2.28%	2.27%	1.95%

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
For the Year Ended August 31, 2025

	Measurement Year Ended August 31,							
	2024	2023	2022	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0017802654%	0.0017259292%	0.0016698305%	0.0016122072%	0.0015780128%	0.0014795909%	0.0014613172%	0.0013833400%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 540,338	\$ 382,091	\$ 399,824	\$ 621,900	\$ 599,874	\$ 699,717	\$ 729,649	\$ 601,563
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	<u>677,036</u>	<u>461,052</u>	<u>487,723</u>	<u>833,208</u>	<u>806,087</u>	<u>929,767</u>	<u>1,147,314</u>	<u>1,023,180</u>
Total	<u>\$ 1,217,374</u>	<u>\$ 843,143</u>	<u>\$ 887,547</u>	<u>\$ 1,455,108</u>	<u>\$ 1,405,961</u>	<u>\$ 1,629,484</u>	<u>\$ 1,876,963</u>	<u>\$ 1,624,743</u>
District's Covered Payroll	\$ 2,070,641	\$ 1,927,832	\$ 1,767,214	\$ 1,617,157	\$ 1,540,716	\$ 1,344,738	\$ 1,295,028	\$ 1,257,491
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	26.10%	19.82%	22.62%	38.46%	38.93%	52.03%	56.34%	47.84%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	13.70%	14.94%	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

Note: Only eight years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
For the Year Ended August 31, 2025

	Fiscal Year Ended August 31,							
	2025	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 17,051	\$ 16,171	\$ 14,972	\$ 13,715	\$ 12,595	\$ 11,994	\$ 10,543	\$ 10,081
Contribution in Relation to the Contractually Required Contribution	<u>(17,051)</u>	<u>(16,171)</u>	<u>(14,972)</u>	<u>(13,715)</u>	<u>(12,595)</u>	<u>(11,994)</u>	<u>(10,543)</u>	<u>(10,081)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,222,528	\$ 2,070,641	\$ 1,927,832	\$ 1,767,214	\$ 1,617,157	\$ 1,540,716	\$ 1,344,738	\$ 1,295,028
Contributions as a percentage of Covered Payroll	0.77%	0.78%	0.78%	0.78%	0.78%	0.78%	0.78%	0.78%

Note: Only eight years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

OTHER SUPPLEMENTARY INFORMATION

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2025

Last Ten Years Ended August 31	1		2		3	10	20	31	32	40	50
	Tax Rates		Assessed/Appraised Value for School Tax Purposes	Beginning Balance 09/01/24	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 08/31/25		
	Maintenance	Debt Service									
2016 and Prior Years	Various	Various	Various	--	\$ 1,849	\$ -	\$ -	\$ -	\$ (1,303)	\$ 546	
2017	1.1700	0.1300	1.3000	55,901,770	324	-	-	-	(106)	218	
2018	1.1700	0.1300	1.3000	56,940,700	1,320	-	-	-	5	1,325	
2019	1.1700	0.1300	1.3000	58,146,910	293	-	-	-	(110)	183	
2020	1.0683	0.1300	1.1983	94,433,050	224	-	-	-	(130)	94	
2021	1.0494	0.1300	1.1794	88,278,200	342	-	-	-	(52)	290	
2022	0.9822	0.1300	1.1122	91,522,470	658	-	342	45	34	305	
2023	0.9769	0.1300	1.1069	92,589,860	898	-	405	54	51	490	
2024	0.8580	0.1300	0.9880	92,162,340	40,716	-	1,635	248	(38,119)	714	
2025-School Year Under Audit	0.8425	0.1300	0.9725	94,648,740	-	920,459	793,223	122,397	(80)	4,759	
1000	TOTALS				\$ 46,624	\$ 920,459	\$ 795,605	\$ 122,744	\$ (39,810)	\$ 8,924	
8000	Total Taxes Refunded Under Section 26.1115(c), Tax Code						\$ -				

Columns 10 + 20 - 30 - 30a + 40 Equals Column 50

Columns 30 and 30a - These are the total collections net of adjustments described in Column 40, according to each year of tax levy, and do NOT include penalties and interest.

Column 3 - Assessed/Appraised Value for School Tax Purposes:
This is the net appraised value, after deductions of all exemptions, tax freeze amounts and reductions provided by law and those granted by the district, based on maintenance requirements.

Column 40 - Entire Year's Adjustments:
Total adjustments include corrections for errors in taxes assessed, taxes lost due to tax freeze and discounts allowed for early payment of taxes.

Column 20 - Current Year's Levy:
This amount is calculated by multiplying tax rate(s) times the applicable Assessed/Appraised Value(s) in Column 3.

Column 50 - Ending Balance 8/31/25

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

EXHIBIT J-2

NATIONAL SCHOOL BREAKFAST/LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2025

Data Control Codes		1	2	3
		Budget	Actual	Variance with Final Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 80,000	\$ 86,476	\$ 6,476
5800	State Program Revenues	9,165	8,413	(752)
5900	Federal Program Revenues	50,768	39,249	(11,519)
5020	Total Revenues	<u>139,933</u>	<u>134,138</u>	<u>(5,795)</u>
	EXPENDITURES:			
	Current:			
	Support Services-Student (Pupil):			
0035	Food Services	<u>240,596</u>	<u>196,635</u>	<u>43,961</u>
	Total Support Services - Student (Pupil)	<u>240,596</u>	<u>196,635</u>	<u>43,961</u>
6030	Total Expenditures	<u>240,596</u>	<u>196,635</u>	<u>43,961</u>
	Other Financing Sources (Uses):			
7915	Operating Transfers In	<u>100,663</u>	<u>62,497</u>	<u>(38,166)</u>
	Total Other Financing Sources and (Uses)	<u>100,663</u>	<u>62,497</u>	<u>(38,166)</u>
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - Beginning	-	-	-
3000	Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

EXHIBIT J-3

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2025

Data Control Codes	1	2	3
	Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 137,268	\$ 139,773	\$ 2,505
5800 State Program Revenues	7,653	27,486	19,833
5020 Total Revenues	<u>144,921</u>	<u>167,259</u>	<u>22,338</u>
EXPENDITURES:			
Current:			
Debt Service			
0071 Principal on Long-Term Debt	110,000	110,000	-
0072 Interest on Long-Term Debt	44,094	44,094	-
0073 Bond Issuance Costs and Fees	865	865	-
Total Debt Service	<u>154,959</u>	<u>154,959</u>	<u>-</u>
6030 Total Expenditures	<u>154,959</u>	<u>154,959</u>	<u>-</u>
Other Financing Sources (Uses):			
7915 Operating Transfers In	-	-	-
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	(10,038)	12,300	22,338
0100 Fund Balance - Beginning	<u>261,882</u>	<u>261,882</u>	<u>-</u>
3000 Fund Balance - Ending	<u>\$ 251,844</u>	<u>\$ 274,182</u>	<u>\$ 22,338</u>

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

EXHIBIT J-4

CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2025

Data Control Codes	1	2	3 Variance with Final Budget Positive (Negative)	
	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>	
REVENUES:				
5700	Local and Intermediate Sources	\$ 35,000	\$ 38,312	\$ 3,312
5020	Total Revenues	<u>35,000</u>	<u>38,312</u>	<u>3,312</u>
EXPENDITURES:				
Debt Service:				
0073	Bond Issuance Costs and Fees	100,000	99,300	700
Capital Outlay:				
0081	Capital Outlay:	<u>25,000</u>	<u>2,267</u>	<u>22,733</u>
6030	Total Expenditures	<u>125,000</u>	<u>101,567</u>	<u>23,433</u>
Other Financing Sources (Uses):				
7911	Capital Related Debt Issued (Regular Bonds)	2,150,000	2,150,000	-
7916	Premium or Discount on Issuance of Bonds	<u>(1,500)</u>	<u>(1,302)</u>	<u>198</u>
	Total Other Financing Sources and (Uses)	<u>2,148,500</u>	<u>2,148,698</u>	<u>198</u>
1200	Net Change in Fund Balance	2,058,500	2,085,443	26,943
0100	Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 2,058,500</u>	<u>\$ 2,085,443</u>	<u>\$ 26,943</u>

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

USE OF FUNDS REPORT --
SELECT STATE ALLOTMENT PROGRAMS
For the Year Ended August 31, 2025

Section A: Compensatory Education Programs

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.	\$ 45,661
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 134,207

Section B: Bilingual Education Programs

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 bilingual education programs during the LEA's fiscal year.	\$ -
AP8	List the actual direct program expenditures for state bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 500

Terry & King, CPAs, P.C.

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P.O. Box 93550
Lubbock, TX 79493-3550

Randel J. Terry, CPA
Ryan R. King, CPA

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Independent Auditors' Report

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
Nazareth Independent School District
101 S. 1st Street
Nazareth, TX 79063

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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nazareth Independent School District, as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the Nazareth Independent School District's basic financial statements, and have issued our report thereon dated December 8, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Nazareth 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nazareth 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 the entity'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.



Independent Auditors' Report
Page 2

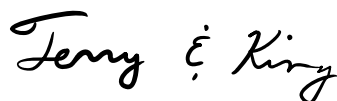
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nazareth 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*.

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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
Lubbock, Texas
December 8, 2025

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2025

A. Summary of Auditors' Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that
are not considered to be material
weaknesses? Yes X None Reported

Noncompliance material to financial
Statements noted? Yes X No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

SUMMARY OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2025

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
Not Applicable - None		

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth, Texas

CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2025

Not Applicable – None Required

NAZARETH INDEPENDENT SCHOOL DISTRICT
Nazareth

SCHOOLS FIRST QUESTIONNAIRE
For the Year Ended August 31, 2025

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?	Yes
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.	N/A