

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2023



Davis, Heinemann & Company, P.C.

Certified Public Accountants

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North Zulch Independent School District
Annual Financial Report
For The Year Ended August 31, 2023

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION		
Certificate of Board.....	1	
FINANCIAL SECTION		
Independent Auditor's Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	11	A-1
Statement of Activities.....	12	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	15	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	16	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	18	C-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	19	E-1
Notes to the Financial Statements	20	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	41	G-1
State Funded Special Revenue Funds.....	42	G-2
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System of Texas.....	43	G-3
Schedule of District's Pension Contributions - Teacher Retirement System of Texas.....	45	G-4
Schedule of the District's Proportionate Share of the		
Net OPEB Liability - Teacher Retirement System of Texas.....	47	G-5
Schedule of the District's OPEB Contributions - Teacher Retirement System of Texas...	49	G-6
Notes to Required Supplementary Information.....	51	
<u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	52	H-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	53	H-2

North Zulch Independent School District
 Annual Financial Report
 For The Year Ended August 31, 2023

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	54	H-3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	56	H-4
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	58	J-1
Use of Funds Report - Select State Allotment Program	60	J-2
Budgetary Comparison Schedules Required by the Texas Education Agency.....		
National School Breakfast and Lunch Program.....	61	J-3
Debt Service Fund.....	62	J-4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63	
Schedule of Findings and Questioned Costs	65	
Summary Schedule of Prior Audit Findings.....	66	
Schedule of Required Responses to Selected School First Indicators.....	67	K-1

Introductory Section

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CERTIFICATE OF BOARD

North Zulch Independent School District
Name of School District

Madison
County

154-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2023, at a meeting of the board of trustees of such school district on the 11th day of Jan, 2024.



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

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DAVIS, HEINEMANN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Zulch Independent School District ("the District"), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the North Zulch Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Zulch Independent School District as of August 31, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

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

Other Information Included in the Annual Report

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2023 on our consideration of North Zulch Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Zulch 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 North Zulch Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Davis, Heinemann & Company, P.C.

Huntsville, Texas
December 18, 2023

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MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of North Zulch Independent School District’s annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year ended August 31, 2023. Please read it in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District’s total combined net position was \$7,707,918 on August 31, 2023.
- During the year, the District’s expenses were \$1,037,175 less than the \$6,876,603 generated in local, state and federal revenues for government-wide activities.
- The total cost of the District’s programs were \$5,839,428 which is \$272,147 more than the previous year.
- The general fund reported a fund balance this year of \$4,905,284.

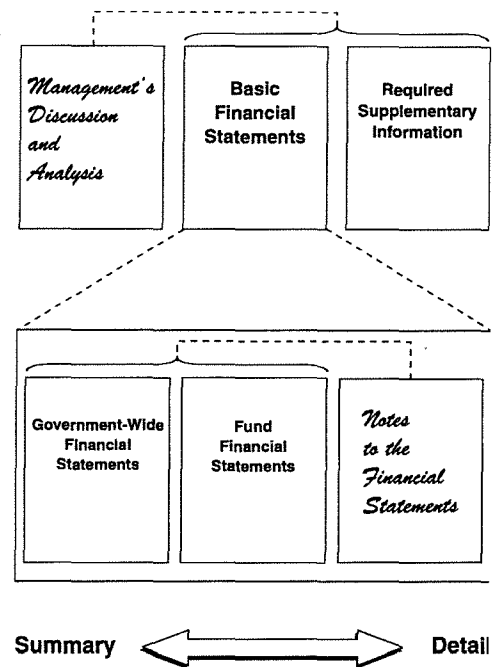
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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

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



Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s net position and how it has changed. Net position—the difference between the District’s assets and liabilities—is one way to measure the District’s financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base.

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

Fund Financial Statements

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

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

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude this activity from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT WHOLE

Net position. The District's combined net position was \$7,707.9 thousand at August 31, 2023. (See Table A-1)

Approximately \$470.3 thousand of the District's restricted net position represents resources restricted for the retirement of the District's long-term debt and \$131.5 thousand is restricted for federal and state programs. The \$2,192.8 thousand of unrestricted net position represents resources available to fund the programs of the District next year.

Expenditures increased five (5) percent from the prior year. The majority of the increase was in instruction expense. Cash and cash equivalents decreased from the prior year by twenty-three (23) percent. The District entered into no new debt transactions during the year. The balance of long-term debt is \$6994.3 thousand.

Changes in net position. The District's total revenues were \$6,907.7 thousand. A significant portion, forty-seven (47) percent, of the District's revenue comes from taxes. Forty-three (43) percent also comes from state aid and federal grants, while ten (10) percent relates to charges for services, investment earnings and other income. Property tax revenue increased thirteen (13) percent from the prior year. The increase was due to higher property valuations. The total cost of all programs and services was \$5,838.2 thousand. Fifty (50) percent of these costs are for student instruction.

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

	Governmental		Change 2023-2022
	Activities		
	<u>2023</u>	<u>2022</u>	
Current Assets:			
Cash and Cash Equivalents	\$ 1,505.4	\$ 6,203.0	\$ (4,697.6)
Current Investments	3,500.0	261.8	3,238.2
Property Taxes Receivable	239.9	210.7	29.2
Due from Other Governments	649.7	216.2	433.5
Accrued Interest	78.2	10.5	67.7
Other Receivables (Net)	15.1	-	15.1
Inventories	-	2.8	(2.8)
Unrealized Expenses	6.5	3.8	2.7
Total Current Assets	<u>5,994.8</u>	<u>6,908.8</u>	<u>(914.0)</u>
Noncurrent Assets:			
Capital Assets	19,711.6	17,556.9	2,154.7
Less Accumulated Depreciation	(7,200.4)	(6,660.7)	(539.7)
Long-Term Investments	-	263.5	(263.5)
Total Noncurrent Assets	<u>12,511.2</u>	<u>11,159.7</u>	<u>1,351.5</u>
Total Assets	<u>18,506.0</u>	<u>18,068.5</u>	<u>437.5</u>
Deferred Outflows Related to Pensions			
Deferred Outflows Related to Pensions	617.2	360.0	257.2
Deferred Outflows Related to OPEB	437.1	501.1	(64.0)
Total Deferred Outflows of Resources	<u>1,054.3</u>	<u>861.1</u>	<u>193.2</u>
Current Liabilities:			
Accounts Payable	36.7	137.4	(100.7)
Interest Payable	14.9	14.1	0.8
Accrued Liabilities	217.8	156.0	61.8
Unearned Revenue	31.0	92.0	(61.0)
Long-term Liabilities Due Within One Year	361.3	349.7	11.6
Total Current Liabilities	<u>661.7</u>	<u>749.2</u>	<u>(87.5)</u>
Long-Term Liabilities:			
Due in More Than One Year	7,268.3	7,747.6	(479.3)
Net Pension Liability	1,381.6	549.6	832.0
Net OPEB Liability	783.1	1,256.5	(473.4)
Total Long-Term Liabilities	<u>9,433.0</u>	<u>9,553.7</u>	<u>(120.7)</u>
Total Liabilities	<u>10,094.7</u>	<u>10,302.9</u>	<u>(208.2)</u>
Deferred Inflow Related to Deferred Charges			
Deferred Inflow Related to Deferred Charges	54.6	-	54.6
Deferred Inflow Related to Pensions	139.6	656.8	(517.2)
Deferred Inflow Related to OPEB	1,563.5	1,299.2	264.3
Total Deferred Inflows of Resources	<u>1,757.7</u>	<u>1,956.0</u>	<u>(198.3)</u>
Net Position:			
Invested in Capital Assets	4,913.3	3,552.2	1,361.1
Restricted for State and Federal Programs	131.5	83.8	47.7
Restricted for Debt Service	470.3	421.2	49.1
Unrestricted	2,192.8	2,613.5	(420.7)
Total Net Position	<u>\$ 7,707.9</u>	<u>\$ 6,670.7</u>	<u>\$ 1,037.2</u>

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

	Governmental Activities		Change
	<u>2023</u>	<u>2022</u>	<u>2023-2022</u>
Program Revenues:			
Charges for Services	\$ 69.8	\$ 51.3	\$ 18.5
Operating Grants and Contributions	1,102.4	1,029.6	72.8
General Revenues			
Property Taxes	3,248.2	2,861.9	386.3
State Aid – Formula	1,892.1	1,825.6	66.5
Investment Earnings	241.9	39.5	202.4
Miscellaneous	353.4	139.7	213.7
Total Revenues	<u>6,907.8</u>	<u>5,947.6</u>	<u>960.2</u>
Program Expenditures:			
Instruction	2,928.0	2,700.4	227.6
Instructional Resources and Media Services	37.4	32.6	4.8
Curriculum Dev and Instructional Staff Dev	28.3	16.5	11.8
Instructional Leadership	21.9	0.3	21.6
School Leadership	209.4	260.7	(51.3)
Guidance, Counseling and Evaluation Services	137.2	81.3	55.9
Health Services	64.8	45.2	19.6
Student (Pupil) Transportation	206.1	178.2	27.9
Food Services	331.1	298.2	32.9
Curricular/Extracurricular Activities	265.9	301.2	(35.3)
General Administration	448.3	427.6	20.7
Plant Maintenance and Operations	588.5	608.6	(20.1)
Security and Monitoring Services	90.8	3.8	87.0
Data Processing Services	123.0	117.6	5.4
Payments to Fiscal Agent/Member Dist. – SSA	84.2	60.4	23.8
Bond Issuance Costs and Fees	(7.2)	200.8	(208.0)
Interest on Long-term Debt	163.1	132.1	31.0
Other Intergovernmental Charges	117.4	101.8	15.6
Total Expenses	<u>5,838.2</u>	<u>5,567.3</u>	<u>270.9</u>
Excess (Deficiency) Before Other Resources, Uses and Transfers	1,069.6	380.3	689.3
Beginning Net Position	6,670.7	6,290.4	380.3
Ending Net Position	<u>\$ 7,740.3</u>	<u>\$ 6,670.7</u>	<u>\$ 1,069.6</u>

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.

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

	Total Cost of Services			Net Cost of Services		
	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>2023</u>	<u>2022</u>	<u>Change</u>
Instruction	\$ 2,928.0	\$ 2,700.5	\$ 227.5	\$ (2,590.4)	\$ (2,134.6)	\$ (455.8)
School Administration	448.3	427.6	20.7	(439.8)	(423.9)	(15.9)
Plant Maintenance and Operations	589.7	608.6	(18.9)	(570.3)	(578.8)	8.5
Debt Service – Interest and Fiscal	155.9	332.9	(177.0)	(133.7)	(332.5)	198.8

Governmental Activities

With the issuance of bonds and notes, the District’s tax rate is divided between maintenance and operations and interest and sinking. The tax rate for fiscal year 2023 is \$1.0675 with \$.8975 for the District operations and \$0.17 for the payment of debt.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

- The cost of all *governmental* activities this year was \$5,838.2 thousand.
- The taxpayers paid for most of these activities through property taxes.
- Income paid by those directly benefiting from programs was \$69.8 thousand. Operating grants and contributions were \$1,102.4 thousand.

General Fund Budgetary Highlights

Over the course of the year, the District revised the General Fund budget. Actual expenditures were \$87.3 thousand under final budgeted amounts. The most significant negative variance resulted from instruction. Resources available were \$210.4 thousand over the final estimated amount. The largest positive variance is in state program revenues

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the District had invested \$19,711.7 thousand in a broad range of capital assets, including land, construction in progress, equipment, buildings, and vehicles (See Table A-4).

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

	Governmental Activities		Change
	<u>2023</u>	<u>2022</u>	<u>2023-2022</u>
Land	\$ 72.4	\$ 72.4	\$ -
Construction In Progress	233.4	3,375.9	(3,142.5)
Buildings and Improvements	18,010.4	12,848.1	5,162.3
Vehicles	794.1	720.2	73.9
Equipment	601.3	540.3	61.0
Totals at Historical Cost	<u>19,711.6</u>	<u>17,556.9</u>	<u>2,154.7</u>
Total Accumulated Depreciation	(7,200.4)	(6,660.7)	(539.7)
Net Capital Assets	<u>\$ 12,511.2</u>	<u>\$ 10,896.2</u>	<u>\$ 1,615.0</u>

Long-Term Debt

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

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

	Governmental Activities		Change
	<u>2023</u>	<u>2022</u>	<u>2023-2022</u>
Bonds Payable	\$ 6,585.0	\$ 6,885.0	\$ (300.0)
Premium on Bonds	603.7	655.1	(51.4)
Deferred Charges	54.6	63.1	(8.5)
Loans from Direct Borrowings	384.0	422.0	(38.0)
Compensated Absences	31.6	35.1	(3.5)
Right To Use Leased Assets	25.3	37.0	(11.7)
Net Pension Liability	1,381.6	549.6	832.0
Net OPEB Liability	783.1	1,256.5	(473.4)
Total Long-Term Debt	<u>\$ 9,848.9</u>	<u>\$ 9,903.4</u>	<u>\$ (54.5)</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for fiscal year 2024 budget preparation is \$302,498,109 which is about thirty-five (35) percent increase from the prior year.
- The maintenance and operations tax rate for fiscal year 2024 is \$0.8975 and the debt service tax rate is \$0.17.
- The District's projected refined average daily attendance for 2024 is expected to be 314 indicating a six (6) percent increase from fiscal year 2023.

These indicators were considered when adopting the general fund budget for fiscal year 2024. Amounts available for appropriation in the general fund budget are \$5,385.9 thousand which is a decrease of about \$408.0 thousand from the final 2023 fiscal year budget. Property tax revenues are projected to increase due to an increase in assessed values. State revenue is also estimated to increase due to the projected increase in student enrollment.

If these estimates are realized, the District's budgetary general fund balance is expected to increase by the close of 2024.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

This page has been left blank intentionally.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2023

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 1,505,356
1120	Current Investments	3,500,000
1225	Property Taxes Receivable (Net)	239,894
1240	Due from Other Governments	649,717
1250	Accrued Interest	78,198
1290	Other Receivables (Net)	15,089
1410	Unrealized Expenses	6,473
Capital Assets:		
1510	Land	72,355
1520	Buildings and Improvements, Net	11,856,729
1530	Furniture and Equipment, Net	348,750
1580	Construction in Progress	233,411
1000	Total Assets	<u>18,505,972</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	Deferred Outflow Related to Pensions	617,173
	Deferred Outflow Related to OPEB	437,152
1700	Total Deferred Outflows of Resources	<u>1,054,325</u>
LIABILITIES:		
2110	Accounts Payable	36,633
2140	Interest Payable	14,863
2165	Accrued Liabilities	217,842
2300	Unearned Revenue	30,988
Noncurrent Liabilities:		
2501	Due Within One Year	361,307
2502	Due in More Than One Year	7,268,331
2540	Net Pension Liability	1,381,641
2545	Net OPEB Liability	783,119
2000	Total Liabilities	<u>10,094,724</u>
DEFERRED INFLOWS OF RESOURCES:		
	Deferred Inflow Related to Deferred Charges on Refunding	54,567
	Deferred Inflow Related to Pensions	139,592
	Deferred Inflow Related to OPEB	1,563,496
2600	Total Deferred Inflows of Resources	<u>1,757,655</u>
NET POSITION:		
3200	Net Investment in Capital Assets	4,913,257
Restricted For:		
3820	State and Federal Programs	131,580
3850	Debt Service	470,301
3900	Unrestricted	2,192,780
3000	Total Net Position	<u>\$ 7,707,918</u>

The accompanying notes are an integral part of this statement.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 2,928,025	\$ 13,050	\$ 324,538	\$ (2,590,437)
12	Instructional Resources and Media Services	37,427	--	2,052	(35,375)
13	Curriculum and Staff Development	28,256	--	5,998	(22,258)
21	Instructional Leadership	21,939	--	--	(21,939)
23	School Leadership	209,371	--	34,397	(174,974)
31	Guidance, Counseling, and Evaluation Services	137,195	--	53,990	(83,205)
33	Health Services	64,843	--	65,495	652
34	Student Transportation	206,087	--	1,318	(204,769)
35	Food Service	331,078	27,267	321,461	17,650
36	Cocurricular/Extracurricular Activities	265,887	18,687	(406)	(247,606)
41	General Administration	448,251	--	8,419	(439,832)
51	Facilities Maintenance and Operations	589,744	10,800	8,602	(570,342)
52	Security and Monitoring Services	90,833	--	199,978	109,145
53	Data Processing Services	122,994	--	23,443	(99,551)
72	Interest on Long-term Debt	163,112	--	22,168	(140,944)
73	Bond Issuance Costs and Fees	(7,204)	--	--	7,204
93	Payments Related to Shared Services Arrangements	84,187	--	--	(84,187)
99	Other Intergovernmental Charges	117,403	--	--	(117,403)
TG	Total Governmental Activities	<u>5,839,428</u>	<u>69,804</u>	<u>1,071,453</u>	<u>(4,698,171)</u>
TP	Total Primary Government	<u>\$ 5,839,428</u>	<u>\$ 69,804</u>	<u>\$ 1,071,453</u>	<u>(4,698,171)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				2,903,826
DT	Property Taxes, Levied for Debt Service				511,575
IE	Investment Earnings				241,877
GC	Grants and Contributions Not Restricted to Specific Programs				1,892,118
MI	Miscellaneous				185,950
TR	Total General Revenues				<u>5,735,346</u>
CN	Change in Net Position				1,037,175
NB	Net Position - Beginning				6,670,743
NE	Net Position - Ending				<u>\$ 7,707,918</u>

The accompanying notes are an integral part of this statement.

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NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes	10 General Fund	State Funded Special Revenue Fund
ASSETS:		
1110	\$ 928,590	\$ --
1120	3,500,000	--
1225	202,099	--
1240	397,429	200,000
1250	78,198	--
1260	225,930	--
1290	15,089	--
1410	6,473	--
1000	<u>\$ 5,353,808</u>	<u>\$ 200,000</u>
LIABILITIES:		
Current Liabilities:		
2110	\$ 35,585	\$ --
2150	6,441	--
2160	200,225	--
2170	--	200,000
2200	4,174	--
2300	--	--
2000	<u>246,425</u>	<u>200,000</u>
DEFERRED INFLOWS OF RESOURCES:		
	202,099	--
2600	<u>202,099</u>	<u>--</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3430	6,473	--
Restricted Fund Balances:		
3450	--	--
3480	--	--
Committed Fund Balances:		
3510	2,000,000	--
3600	2,898,811	--
3000	<u>4,905,284</u>	<u>--</u>
4000	<u>\$ 5,353,808</u>	<u>\$ 200,000</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ --	\$ 576,766	\$ 1,505,356
--	--	3,500,000
--	37,795	239,894
--	52,288	649,717
--	--	78,198
--	--	225,930
--	--	15,089
--	--	6,473
<u>\$ --</u>	<u>\$ 666,849</u>	<u>\$ 6,220,657</u>
\$ --	\$ 1,048	\$ 36,633
--	--	6,441
--	5,988	206,213
--	25,930	225,930
--	1,014	5,188
--	30,988	30,988
<u>--</u>	<u>64,968</u>	<u>511,393</u>
--	37,795	239,894
<u>--</u>	<u>37,795</u>	<u>239,894</u>
--	--	6,473
--	131,580	131,580
--	432,506	432,506
--	--	2,000,000
--	--	2,898,811
<u>--</u>	<u>564,086</u>	<u>5,469,370</u>
<u>\$ --</u>	<u>\$ 666,849</u>	<u>\$ 6,220,657</u>

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2023

Total fund balances - governmental funds balance sheet	\$ 5,469,370
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	12,511,245
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	239,894
Payables for bond principal which are not due in the current period are not reported in the funds.	(6,585,000)
Payables for right-to-use leases which are not due in the current period are not reported in the funds.	(25,310)
Payables for debt interest which are not due in the current period are not reported in the funds.	(14,863)
Payables for notes which are not due in the current period are not reported in the funds.	(384,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(31,650)
Deferred charges on refunding are amortized in the SNP but not in the funds.	(54,567)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,381,641)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(139,592)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	617,173
Bond premiums are amortized in the SNA but not in the funds.	(603,678)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(783,119)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(1,563,496)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>437,152</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 7,707,918</u>

The accompanying notes are an integral part of this statement.

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NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	10 General Fund	State Funded Special Revenue Fund
REVENUES:		
5700 Local and Intermediate Sources	\$ 3,329,370	\$ --
5800 State Program Revenues	2,103,775	200,000
5900 Federal Program Revenues	26,361	--
5020 Total Revenues	<u>5,459,506</u>	<u>200,000</u>
EXPENDITURES:		
Current:		
0011 Instruction	2,518,088	--
0012 Instructional Resources and Media Services	32,246	--
0013 Curriculum and Staff Development	21,167	--
0023 School Leadership	322,711	--
0031 Guidance, Counseling, and Evaluation Services	44,240	--
0033 Health Services	33,244	--
0034 Student Transportation	167,538	--
0035 Food Service	--	--
0036 Cocurricular/Extracurricular Activities	203,351	--
0041 General Administration	455,595	--
0051 Facilities Maintenance and Operations	559,886	--
0052 Security and Monitoring Services	124,668	200,000
0053 Data Processing Services	102,414	--
0071 Principal on Long-term Debt	49,650	--
0072 Interest on Long-term Debt	11,766	--
0073 Bond Issuance Costs and Fees	--	--
0081 Capital Outlay	540,671	--
0093 Payments to Shared Service Arrangements	84,187	--
0099 Other Intergovernmental Charges	117,403	--
6030 Total Expenditures	<u>5,388,825</u>	<u>200,000</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>70,681</u>	<u>--</u>
1200 Net Change in Fund Balances	70,681	--
0100 Fund Balances - Beginning	4,834,603	--
3000 Fund Balances - Ending	<u>\$ 4,905,284</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 6,385	\$ 552,087	\$ 3,887,842
--	42,852	2,346,627
--	742,406	768,767
<u>6,385</u>	<u>1,337,345</u>	<u>7,003,236</u>
--	297,532	2,815,620
--	2,779	35,025
--	5,997	27,164
--	8,853	331,564
--	54,532	98,772
--	34,492	67,736
--	2,779	170,317
--	295,097	295,097
--	--	203,351
--	7,103	462,698
--	10,912	570,798
--	--	324,668
--	25,388	127,802
--	300,000	349,650
--	202,025	213,791
--	1,300	1,300
1,272,607	--	1,813,278
--	--	84,187
--	--	117,403
<u>1,272,607</u>	<u>1,248,789</u>	<u>8,110,221</u>
(1,266,222)	88,556	(1,106,985)
<u>(1,266,222)</u>	<u>88,556</u>	<u>(1,106,985)</u>
1,266,222	475,530	6,576,355
<u>\$ --</u>	<u>\$ 564,086</u>	<u>\$ 5,469,370</u>

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

Net change in fund balances - total governmental funds	\$ (1,106,985)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,198,529
The depreciation of capital assets used in governmental activities is not reported in the funds.	(582,431)
The gain or loss on the sale of capital assets is not reported in the funds.	(1,008)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	29,198
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	300,000
Repayment of right-to-use lease principal is an expenditure in the funds but is not an expense in the SOA.	11,650
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	38,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	51,422
(Increase) decrease in accrued interest from beginning of period to end of period.	(743)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	3,500
Deferred charges on refunding are amortized in the SOA but not in the funds.	8,504
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	119,695
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(38,423)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	59,446
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.	33,860
The District's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	(21,939)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	<u>(65,101)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,037,175</u>

The accompanying notes are an integral part of this statement.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2023

Data Control Codes	Custodial Fund
<u>ASSETS:</u>	<u>Student Activity</u>
1110 Cash and Cash Equivalents	\$ 49,909
1000 Total Assets	<u>\$ 49,909</u>
LIABILITIES:	
Current Liabilities:	
2000 Total Liabilities	<u>--</u>
NET POSITION:	
2190 Restricted for Other Purposes	\$ 49,909
3000 Total Net Position	<u><u>\$ 49,909</u></u>

The accompanying notes are an integral part of this statement.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

Capital Projects Fund: This fund accounts for the expenditures associated with approved construction projects. The projects are usually in the form of bond issues approved by voters.

State Funded Special Revenue Fund This fund accounts for funds provided by the state for special projects.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

In addition, the District reports the following fund types:

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

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

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

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

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

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

3. **Financial Statement Amounts**

a. **Property Taxes**

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. 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.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

b. Inventories and Prepaid Items

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

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

c. Capital Assets

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

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

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

d. Deferred Outflows and Inflows of Resources

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

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

e. Receivable and Payable Balances

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

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

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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 of 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.

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

j. Net Position Flow Assumption

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

k. Fund Balance Flow Assumptions

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

4. Pensions

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

5. Other Post-Employment Benefits

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Violation

Expenditures were over appropriations in the instruction and health services functions.

Action Taken

The District will monitor the budget to actual comparison quarterly.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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

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

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

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2023, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was 517,430 and the bank balance was 593,087. The District's cash deposits at August 31, 2023 and during the year ended August 31, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The District classifies investment pools as cash and cash equivalents for reporting purposes. At August 31, 2023, the District had a balance of \$104, 886 in TexPool investment pool and \$883,040 in Texas Range investment pool accounts.

2. Investments:

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

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

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

The District's investment at August 31, 2023 is shown below.

<u>Investment or Investment Tyoe</u>	<u>Maturity</u>	<u>Fair Value</u>
Texas Term	10/02/2023	\$ 1,000,000
Texas Term	10/18/2023	1,000,000
Texas Term	07/18/2024	1,500,000
Total Investments		<u>\$ 3,500,000</u>

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2023, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

Description	Minimum Required Rating	Investment Rating	Rating Organization	Fair Value
TexPool	AAA	AAAm	Std & Poors	\$ 104,886
Texas Range	AAA	AAAf	Fitch	3,500,000

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.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Hermes is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAA by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttsc.org.

Texas Range

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

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

Fair Value Measurement

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

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

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

D. Capital Assets

Capital asset activity for the year ended August 31, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 72,355	\$ --	\$ --	\$ 72,355
Construction in progress	3,375,957	2,046,687	5,189,233	233,411
Total capital assets not being depreciated	<u>3,448,312</u>	<u>2,046,687</u>	<u>5,189,233</u>	<u>305,766</u>
Capital assets being depreciated:				
Buildings and improvements	12,848,092	5,189,234	26,953	18,010,373
Equipment	492,295	77,951	16,795	553,451
Vehicles	720,192	73,891	--	794,083
Right to use asset	47,988	--	--	47,988
Total capital assets being depreciated	<u>14,108,567</u>	<u>5,341,076</u>	<u>43,748</u>	<u>19,405,895</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,682,032)	(497,556)	(25,944)	(6,153,644)
Equipment	(400,427)	(24,182)	(16,795)	(407,814)
Vehicles	(570,267)	(44,697)	--	(614,964)
Right to use asset	(7,998)	(15,996)	--	(23,994)
Total accumulated depreciation	<u>(6,660,724)</u>	<u>(582,431)</u>	<u>(42,739)</u>	<u>(7,200,416)</u>
Total capital assets being depreciated, net	<u>7,447,843</u>	<u>4,758,645</u>	<u>1,009</u>	<u>12,205,479</u>
Governmental activities capital assets, net	<u>\$ 10,896,155</u>	<u>\$ 6,805,332</u>	<u>\$ 5,190,242</u>	<u>\$ 12,511,245</u>

Depreciation was charged to functions as follows:

Instruction	\$ 238,487
Instructional Resources and Media Services	4,107
Curriculum and Staff Development	1,092
School Leadership	4,916
Student Transportation	39,813
Food Services	54,770
Extracurricular Activities	173,231
General Administration	4,701
Plant Maintenance and Operations	61,314
	<u>\$ 582,431</u>

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2023, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 225,930	Short-term loans
	Total	<u>\$ 225,930</u>	

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

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2023, for North Zulch Independent School District, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 6,885,000	\$ --	\$ 300,000	\$ 6,585,000	\$ 310,000
Lease Liability	36,960	--	11,650	25,310	12,307
Adjustments for:					
Discounts and Premiums	655,100	--	51,422	603,678	--
Deferred Charge	63,071	--	8,504	54,567	--
Compensated Absences *	35,150	--	3,500	31,650	--
Net Pension Liability *	549,614	940,624	108,597	1,381,641	--
Net OPEB Liability *	1,256,540	(446,558)	26,863	783,119	--
Notes from Direct Borrowings and Direct Placements	422,000	--	38,000	384,000	39,000
Total Governmental Activities	<u>\$ 9,903,435</u>	<u>\$ 494,066</u>	<u>\$ 548,536</u>	<u>\$ 9,848,965</u>	<u>\$ 361,307</u>

* Other long-term liabilities

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

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated Absences	Governmental	General Fund
Net Pension Liability *	Governmental	General Fund
Net OPEB Liability *	Governmental	General Fund

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

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

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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

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

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2023, for North Zulch Independent School District, are as follows:

Year Ending August 31,	Governmental Activities				
	Bonds		Notes from Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2024	\$ 310,000	\$ 195,925	\$ 39,000	\$ 9,562	\$ 554,487
2025	315,000	189,675	39,000	8,590	552,265
2026	320,000	183,325	40,000	7,619	550,944
2027	335,000	176,775	41,000	6,623	559,398
2028	345,000	168,250	43,000	5,603	561,853
2029-2033	1,710,000	678,975	182,000	11,454	2,582,429
2034-2038	1,870,000	385,989	--	--	2,255,989
2039-2043	1,380,000	77,350	--	--	1,457,350
Totals	\$ 6,585,000	\$ 2,056,264	\$ 384,000	\$ 49,451	\$ 9,074,715

G. Leases

The District entered into a copier lease in September 2021, with monthly payments of \$1,116 and an interest rate of 0.02% for forty-eight (48) months, and an original lease liability of \$47,988.

Future lease payment maturity schedule for the year ended August 31, 2023, was as follows:

Year Ending	Principal	Interest	Total
2024	\$ 12,307	\$ 1,085	\$ 13,392
2025	13,003	389	13,392
	\$ 25,310	\$ 1,474	\$ 26,784

H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2023, 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.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

I. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/Pages/about%20publications.aspx> ; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

3. Benefits Provided

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

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

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.

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

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

	<u>Contribution Rates</u>	
	<u>2022</u>	<u>2023</u>
Member	8.0%	8.0%
Non-Employer Contributing Entity (State)	7.75%	8.0%
Employers	7.75%	8.0%
District's 2023 Employer Contributions	\$	119,695
District's 2023 Member Contributions	\$	217,952
2022 NECE On-Behalf Contributions (State)	\$	146,899

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

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

- On the portion of 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.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.6 percent of the member's salary beginning in fiscal year 2021, 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.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

5. Actuarial Assumptions

The total pension liability in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2022	3.91% *
Last year ending August 31 in Projection Period	2121
Inflation	2.30%
Salary Increases including inflation	2.95% to 8.95%
Ad hoc post-employment benefit changes	None

* The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"

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, 2021. For a full description of these assumptions, please see the actuarial valuation report dated November 9, 2021.

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 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. 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 percent. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022 are summarized below:

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

Asset Class *	Target Allocation **	Long-Term Expected Arithmetic Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	4.6%	1.12%
Non-U.S. Developed	13.0%	4.9%	0.90%
Emerging Markets	9.0%	5.4%	0.75%
Private Equity	14.0%	7.7%	1.55%
Stable Value			
Government Bonds	16.0%	1.0%	0.22%
Absolute Return	0.0%	3.7%	0.00%
Stable Value Hedge Funds	5.0%	3.4%	0.18%
Real Return			
Real Estate	15.0%	4.1%	0.94%
Energy, Natural Resources and Infrastructure	6.0%	5.1%	0.37%
Commodities	0.0%	3.6%	0.00%
Risk Parity	8.0%	4.6%	0.43%
Asset Allocation Leverage			
Cash	2.0%	3.0%	0.01%
Asset Allocation Leverage	(6.0%)	3.6%	(0.05)%
Inflation Expectation	0%		2.70%
Volatility Drag ****	0%		(0.91)%
Expected Return	<u>100.0%</u>		<u>8.19%</u>

* Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on the FY2022 policy model.

*** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2022).

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

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	\$ 2,149,309	\$ 1,381,641	\$ 759,409

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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

At August 31, 2023, the District reported a liability of \$1,381,641 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	\$ 1,381,641
State's proportionate share that is associated with District	<u>1,868,934</u>
Total	<u>\$ 3,250,575</u>

The net pension liability was measured as of August 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2021 through August 31, 2022.

At August 31, 2022 the employer's proportion of the collective net pension liability was 0.0023272707 percent which was an increase of .0001690822 percent from its proportion measured as of August 31, 2021.

9. Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2023, the District recognized pension expense of \$356,032 and revenue of \$178,649 for support provided by the State.

At August 31, 2023, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Actuarial Experience	\$ 20,034	\$ 30,122
Changes in Actuarial Assumptions	257,445	64,162
Difference Between Projected and Actual Investment Earnings	136,502	--
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	83,497	45,308
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability (to be calculated by employer)	119,695	--
Total	<u>\$ 617,173</u>	<u>\$ 139,592</u>

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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

Year ended August 31,	Pension Expense Amount
2024	\$ 82,076
2025	\$ 52,429
2026	\$ 19,948
2027	\$ 171,928
2028	\$ 31,504
Thereafter	\$ --

J. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

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

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

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

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

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

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

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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.

Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of Salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	<u>2022</u>	<u>2023</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%
District's 2023 Employer Contributions	\$	33,860
District's 2023 Member Contributions	\$	17,709
2022 NECE On-Behalf Contributions (state)	\$	32,769

All employers whose employees are covered by the TRS pension plan are also required to pay a surcharge of \$535 per month when employing a retiree of TRS.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$83 million in fiscal year 2022 from the Federal American Rescue Plan Act (ARPA) to help defray COVID-19 related healthcare costs during the fiscal Year 2022.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2022.

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. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability	

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 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-2018.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 2022
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement - 65% participation rate prior to age 65 and 40% participation rate after age 65. Pre-65 retirees - 25% are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

The initial medical trend rates were 8.25 percent for Medicare retirees and 7.25 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 13 years.

6. Discount Rate

A single discount rate of 3.91 percent was used to measure the Total OPEB Liability. This was an increase of 1.96 percent in the discount rate since the previous year. Since the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2022 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

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 (3.91%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.91%)	Current Single Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
District's proportionate share of the Net OPEB Liability:	\$ 923,360	\$ 783,119	\$ 669,506

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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

At August 31, 2023, the District reported a liability of \$783,119 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	\$ 783,119
State's proportionate share that is associated with the District	<u>955,282</u>
Total	<u>\$ 1,738,401</u>

The Net OPEB liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2021 through August 31, 2022.

At August 31, 2022 the District's proportion of the collective net OPEB liability was 0.0032706276 percent, compared to .0032574394 percent as of August 31, 2021.

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

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
District's proportionate share of Net OPEB Liability:	\$ 645,294	\$ 783,119	\$ 961,792

9. Changes Since the Prior Actuarial Valuation

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

- The discount rate was changed from 1.95 percent as of August 31, 2021 to 3.91 percent as of August 31, 2022. This change decreased the Total OPEB Liability.

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

The amount of OPEB expense recognized by the District in the reporting period was \$(246,928).

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

At August 31, 2023, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 43,539	\$ 652,409
Changes in actuarial assumptions	119,285	544,065
Difference between projected and actual investment earnings	2,333	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	238,135	367,022
Contributions paid to TRS subsequent to the measurement date	33,860	--
Total	<u>\$ 437,152</u>	<u>\$ 1,563,496</u>

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

Year ended August 31:	OPEB Expense Amount
2024	\$ (195,655)
2025	\$ (195,646)
2026	\$ (162,437)
2027	\$ (117,476)
2028	\$ (175,329)
Thereafter	\$ (313,661)

For the year ended August 31, 2023 the District recognized OPEB expense of" \$(246,928) and revenue of \$(135,562) for support provided by the State.

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2023, the subsidy payment received by TRS-Care on behalf of the District was \$14,590.

K. Employee Health Care Coverage

During the year ended August 31, 2023, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$341 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

L. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2023.

M. Tax Abatement

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

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

For the fiscal year ended August 31, 2023, construction had not begun on the facilities. As a result, no taxes were abated during the 2023 fiscal year.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

N. Federal Expenditures

Federal expenditures are the basis for determining when a Single Audit is necessary. Uniform Guidance under Title 2 U.S. Code of Federal Regulations Part 200 states a Single Audit shall be performed when federal expenditures exceed \$750,000 in a fiscal year. Certain expenditures, such as the School Health and Related Services (SHARS) benefits, are excluded for purposes of the Single Audit determination. As a result, there is a possibility that total federal expenditures may exceed \$750,000, but still not meet the requirement for a Single Audit. During the 2022-2023 fiscal year, the District exceeded \$750,000 of federal expenditures, but expenditures taken into consideration for Single Audit purposes were less than \$750,000. A reconciliation of qualifying expenditures is shown below.

Total federal revenues, per Exhibit C-2	\$ 768,767
Less: SHARS revenues	(26,361)
Federal revenues/expenditures used for the determination of a Single Audit	<u>\$ 742,406</u>

O. Shared Services Arrangements

The District participates in a shared services arrangement for the education of career and technology students, funded under Perkins V: Strengthening Career and Technical Education for the 21st Century. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center Region VI, nor does the District have a new equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the shared services arrangement. Region VI is reporting \$4,886.00 as expenditures incurred on behalf of North Zulch ISD.

The District also participates in the Grimes County Co-op Shared Services, which is a shared services arrangement (SSA) to provide special education services to students in the District. The SSA includes five independent school districts with Navasota Independent School District as the fiscal agent. Financial transactions are accounted for in accordance with Model 3 of the SSA section of the Texas Education Agency Financial Accounting System Resource Guide. This SSA is partially funded through state and local funds provided by the participating school districts and partially through federal programs IDEA B - Formula (CFDA No. 84.027) and IDEA B - Preschool (CFDA No. 84.173).

P. Subsequent Events

The District evaluated subsequent events through December 18, 2023, which is the date through which the financial statements were available to be issued. It was determined the District had no subsequent events requiring recording or disclosing in the financial statements for the year ended August 31, 2023.

Required Supplementary Information

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

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NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 2,948,550	\$ 3,253,975	\$ 3,329,370	\$ 75,395
5800	State Program Revenues	1,646,109	1,995,179	2,103,775	108,596
5900	Federal Program Revenues	--	--	26,361	26,361
5020	Total Revenues	<u>4,594,659</u>	<u>5,249,154</u>	<u>5,459,506</u>	<u>210,352</u>
EXPENDITURES:					
Current:					
Instruction and Instructional Related Services:					
0011	Instruction	2,317,716	2,362,341	2,518,088	(155,747)
0012	Instructional Resources and Media Services	32,328	32,328	32,246	82
0013	Curriculum and Instructional Staff Development	16,500	23,000	21,167	1,833
	Total Instruction and Instr. Related Services	<u>2,366,544</u>	<u>2,417,669</u>	<u>2,571,501</u>	<u>(153,832)</u>
Instructional and School Leadership:					
0023	School Leadership	317,376	323,376	322,711	665
	Total Instructional and School Leadership	<u>317,376</u>	<u>323,376</u>	<u>322,711</u>	<u>665</u>
Student Support Services:					
0031	Guidance, Counseling and Evaluation Services	39,485	45,285	44,240	1,045
0033	Health Services	25,493	28,493	33,244	(4,751)
0034	Student Transportation	148,982	168,982	167,538	1,444
0036	Extracurricular Activities	170,173	225,173	203,351	21,822
	Total Student Support Services	<u>384,133</u>	<u>467,933</u>	<u>448,373</u>	<u>19,560</u>
Administrative Support Services:					
0041	General Administration	420,659	500,659	455,595	45,064
	Total Administrative Support Services	<u>420,659</u>	<u>500,659</u>	<u>455,595</u>	<u>45,064</u>
Support Services:					
0051	Facilities Maintenance and Operations	576,072	576,072	559,886	16,186
0052	Security and Monitoring Services	70,950	203,527	124,668	78,859
0053	Data Processing Services	118,470	118,470	102,414	16,056
	Total Support Services	<u>765,492</u>	<u>898,069</u>	<u>786,968</u>	<u>111,101</u>
Debt Service:					
0071	Debt Service	58,000	49,650	49,650	--
0072	Interest on Long-Term Debt	10,035	11,766	11,766	--
	Total Debt Service	<u>68,035</u>	<u>61,416</u>	<u>61,416</u>	<u>--</u>
Capital Outlay:					
0081	Facilities Acquisition and Construction	--	600,000	540,671	59,329
	Total Capital Outlay	<u>--</u>	<u>600,000</u>	<u>540,671</u>	<u>59,329</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	85,000	85,000	84,187	813
0099	Other Intergovernmental Charges	122,000	122,000	117,403	4,597
	Total Intergovernmental Charges	<u>207,000</u>	<u>207,000</u>	<u>201,590</u>	<u>5,410</u>
6030	Total Expenditures	<u>4,529,239</u>	<u>5,476,122</u>	<u>5,388,825</u>	<u>87,297</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	65,420	(226,968)	70,681	297,649
1200	Net Change in Fund Balance	<u>65,420</u>	<u>(226,968)</u>	<u>70,681</u>	<u>297,649</u>
0100	Fund Balance - Beginning	4,834,603	4,834,603	4,834,603	--
3000	Fund Balance - Ending	<u>\$ 4,900,023</u>	<u>\$ 4,607,635</u>	<u>\$ 4,905,284</u>	<u>\$ 297,649</u>

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-2

STATE FUNDED SPECIAL REVENUE FUNDS
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5800	State Program Revenues	\$ 200,000	\$ 200,000	\$ 200,000	\$ --
5020	Total Revenues	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>--</u>
EXPENDITURES:					
Current:					
Support Services:					
0052	Security and Monitoring Services	200,000	200,000	200,000	--
	Total Support Services	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>--</u>
6030	Total Expenditures	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>--</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
0100	Fund Balance - Beginning	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Measurement Year **			
	2022	2021	2020	2019
District's proportion of the net of the net pension liability (asset)	0.002327270%	0.002158189%	0.002097126%	0.002223981%
District's proportionate share of the net pension liability (asset)	\$ 1,381,641	\$ 549,614	\$ 1,123,178	\$ 1,156,095
State's proportionate share of the net pension liability (asset) associated with the District	1,868,934	843,497	1,860,621	1,790,834
Total	<u>\$ 3,250,575</u>	<u>\$ 1,393,111</u>	<u>\$ 2,983,799</u>	<u>\$ 2,946,929</u>
District's covered-employee payroll	\$ 2,422,868	\$ 2,310,305	\$ 2,298,878	\$ 2,255,650
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	57.03%	23.79%	48.86%	51.25%
Plan fiduciary net position as a percentage of the total pension liability.	75.62%	88.79%	75.54%	73.74%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

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

Measurement Year				
2018	2017	2016	2015	2014
0.002250124%	0.002212597%	0.002538400%	0.001971500%	0.001203800%
\$ 1,238,523	\$ 707,469	\$ 959,231	\$ 696,899	\$ 321,552
1,974,175	1,103,141	1,236,738	1,381,736	1,195,811
<u>\$ 3,212,698</u>	<u>\$ 1,810,610</u>	<u>\$ 2,195,969</u>	<u>\$ 2,078,635</u>	<u>\$ 1,517,363</u>
\$ 2,258,184	\$ 2,127,621	\$ 2,022,390	\$ 2,146,457	\$ 2,097,177
54.85%	33.25%	47.43%	32.47%	15.33%
73.74%	82.17%	78.00%	78.43%	83.25%

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year			
	2023	2022	2021	2020
Contractually required contribution	\$ 119,695	\$ 110,147	\$ 92,096	\$ 84,558
Contributions in relation to the contractually required contribution	(119,695)	(110,147)	(92,096)	(84,558)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll ¹	\$ 2,724,397	\$ 2,422,868	\$ 2,310,305	\$ 2,298,878
Contributions as a percentage of covered-employee payroll	4.39%	4.55%	3.99%	3.39%

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

EXHIBIT G-4

	Fiscal Year				
	2019	2018	2017	2016	2015
\$	77,915	\$ 75,801	\$ 70,744	\$ 81,933	\$ 58,360
	(77,915)	(75,801)	(70,744)	(81,933)	(58,360)
\$	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
\$	2,255,650	\$ 2,258,184	\$ 2,127,621	\$ 2,022,390	\$ 2,146,457
	3.45%	3.36%	3.33%	4.05%	2.72%

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

	Measurement Year		
	2022	2021	2020
District's proportion of the collective net OPEB liability	0.0032706276%	0.0032574394%	0.0037745214%
District's proportionate share of the collective net OPEB liability	\$ 783,119	\$ 1,256,540	\$ 1,434,866
State proportionate share of the collective net OPEB liability associated with the District	955,282	1,683,484	1,928,116
Total	\$ <u>1,738,401</u>	\$ <u>2,940,024</u>	\$ <u>3,362,982</u>
District's covered-employee payroll	\$ 2,422,868	\$ 2,310,305	\$ 2,298,878
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	32.32%	54.39%	62.42%
Plan fiduciary net position as a percentage of the total OPEB liability	11.52%	6.18%	4.99%

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

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

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

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year			
	2023	2022	2021	2020
Statutorily or contractually required District contribution	\$ 33,860	\$ 21,939	\$ 24,930	\$ 30,659
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(33,860)	(21,939)	(24,930)	(30,659)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 2,724,397	\$ 2,422,868	\$ 2,310,305	\$ 2,298,878
Contributions as a percentage of covered-employee payroll	1.24%	0.91%	1.08%	1.33%

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

Fiscal Year	
<u>2019</u>	<u>2018</u>
\$ 24,264	\$ 28,762
(24,264)	(28,762)
<u>\$ --</u>	<u>\$ --</u>
\$ 2,255,650	\$ 2,258,184
1.08%	1.27%

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2023

Budget

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

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

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

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

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

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

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

The actuarial assumptions and methods have been modified since the determination of the prior year's net pension liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25 to 7.00 percent.

Other Post-Employment Benefit Plan

Changes of benefit terms

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Changes of assumptions

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- a. The single discount rate changed from 1.95 percent as of August 31, 2021 to 3.91 percent, as of August 31, 2022. Lower participation rates and updates to the health care trend rate assumptions were also factors that decreased the total OPEB liability.

*Combining Statements and Budget
Comparisons as Supplementary
Information*

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

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NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 144,260	\$ 432,506	\$ 576,766
1225	Taxes Receivable, Net	--	37,795	37,795
1240	Due from Other Governments	52,288	--	52,288
1000	Total Assets	<u>\$ 196,548</u>	<u>\$ 470,301</u>	<u>\$ 666,849</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 1,048	\$ --	\$ 1,048
2160	Accrued Wages Payable	5,988	--	5,988
2170	Due to Other Funds	25,930	--	25,930
2200	Accrued Expenditures	1,014	--	1,014
2300	Unearned Revenue	30,988	--	30,988
2000	Total Liabilities	<u>64,968</u>	<u>--</u>	<u>64,968</u>
DEFERRED INFLOWS OF RESOURCES:				
	Deferred Revenue	--	37,795	37,795
2600	Total Deferred Inflows of Resources	<u>--</u>	<u>37,795</u>	<u>37,795</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	131,580	--	131,580
3480	Retirement of Long-Term Debt	--	432,506	432,506
3000	Total Fund Balances	<u>131,580</u>	<u>432,506</u>	<u>564,086</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 196,548</u>	<u>\$ 470,301</u>	<u>\$ 666,849</u>

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 Local and Intermediate Sources	\$ 27,267	\$ 524,820	\$ 552,087
5800 State Program Revenues	20,684	22,168	42,852
5900 Federal Program Revenues	742,406	--	742,406
5020 Total Revenues	<u>790,357</u>	<u>546,988</u>	<u>1,337,345</u>
EXPENDITURES:			
Current:			
0011 Instruction	297,532	--	297,532
0012 Instructional Resources and Media Services	2,779	--	2,779
0013 Curriculum and Staff Development	5,997	--	5,997
0023 School Leadership	8,853	--	8,853
0031 Guidance, Counseling, and Evaluation Services	54,532	--	54,532
0033 Health Services	34,492	--	34,492
0034 Student Transportation	2,779	--	2,779
0035 Food Service	295,097	--	295,097
0041 General Administration	7,103	--	7,103
0051 Facilities Maintenance and Operations	10,912	--	10,912
0053 Data Processing Services	25,388	--	25,388
0071 Principal on Long-term Debt	--	300,000	300,000
0072 Interest on Long-term Debt	--	202,025	202,025
0073 Bond Issuance Costs and Fees	--	1,300	1,300
6030 Total Expenditures	<u>745,464</u>	<u>503,325</u>	<u>1,248,789</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>44,893</u>	<u>43,663</u>	<u>88,556</u>
1200 Net Change in Fund Balances	<u>44,893</u>	<u>43,663</u>	<u>88,556</u>
0100 Fund Balances - Beginning	86,687	388,843	475,530
3000 Fund Balances - Ending	<u>\$ 131,580</u>	<u>\$ 432,506</u>	<u>\$ 564,086</u>

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NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2023

Data Control Codes	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting
ASSETS:		
1110 Cash and Cash Equivalents	\$ 144,260	\$ --
1240 Due from Other Governments	26,776	9,315
1000 Total Assets	<u>\$ 171,036</u>	<u>\$ 9,315</u>
LIABILITIES:		
Current Liabilities:		
2110 Accounts Payable	\$ 1,048	\$ --
2160 Accrued Wages Payable	5,988	--
2170 Due to Other Funds	418	9,315
2200 Accrued Expenditures	1,014	--
2300 Unearned Revenue	30,988	--
2000 Total Liabilities	<u>39,456</u>	<u>9,315</u>
FUND BALANCES:		
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	131,580	--
3000 Total Fund Balances	<u>131,580</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 171,036</u>	<u>\$ 9,315</u>

270 ESEA, Title V Part B, Subpart 2 Rural School	289 Federal Grant Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ --	\$ --	\$ 144,260
11,097	5,100	52,288
<u>\$ 11,097</u>	<u>\$ 5,100</u>	<u>\$ 196,548</u>
\$ --	\$ --	\$ 1,048
--	--	5,988
11,097	5,100	25,930
--	--	1,014
--	--	30,988
<u>11,097</u>	<u>5,100</u>	<u>64,968</u>
<u>--</u>	<u>--</u>	<u>131,580</u>
<u>--</u>	<u>--</u>	<u>131,580</u>
<u>\$ 11,097</u>	<u>\$ 5,100</u>	<u>\$ 196,548</u>

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	270 ESEA, Title V Part B, Subpart ; Rural School
REVENUES:				
5700 Local and Intermediate Sources	\$ --	\$ 27,267	\$ --	\$ --
5800 State Program Revenues	--	2,621	--	--
5900 Federal Program Revenues	92,587	301,764	26,190	25,388
5020 Total Revenues	<u>92,587</u>	<u>331,652</u>	<u>26,190</u>	<u>25,388</u>
EXPENDITURES:				
Current:				
0011 Instruction	92,587	--	20,193	--
0012 Instructional Resources and Media Services	--	--	--	--
0013 Curriculum and Staff Development	--	--	5,997	--
0023 School Leadership	--	--	--	--
0031 Guidance, Counseling, and Evaluation Services	--	--	--	--
0033 Health Services	--	--	--	--
0034 Student Transportation	--	--	--	--
0035 Food Service	--	286,759	--	--
0041 General Administration	--	--	--	--
0051 Facilities Maintenance and Operations	--	--	--	--
0053 Data Processing Services	--	--	--	25,388
6030 Total Expenditures	<u>92,587</u>	<u>286,759</u>	<u>26,190</u>	<u>25,388</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	44,893	--	--
1200 Net Change in Fund Balances	--	44,893	--	--
0100 Fund Balances - Beginning	--	86,687	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 131,580</u>	<u>\$ --</u>	<u>\$ --</u>

	281 ESSER Fund II of the CRRSA Act	282 ESSER Fund III of the American Rescue Plan Act	289 Federal Grant Funds	410 State Textbook Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
2	\$ --	\$ --	\$ --	\$ --	\$ 27,267
	--	--	--	18,063	20,684
	51,753	207,911	36,813	--	742,406
	<u>51,753</u>	<u>207,911</u>	<u>36,813</u>	<u>18,063</u>	<u>790,357</u>
	--	161,589	5,100	18,063	297,532
	--	2,779	--	--	2,779
	--	--	--	--	5,997
	--	8,853	--	--	8,853
	51,753	2,779	--	--	54,532
	--	2,779	31,713	--	34,492
	--	2,779	--	--	2,779
	--	8,338	--	--	295,097
	--	7,103	--	--	7,103
	--	10,912	--	--	10,912
	--	--	--	--	25,388
	<u>51,753</u>	<u>207,911</u>	<u>36,813</u>	<u>18,063</u>	<u>745,464</u>
	--	--	--	--	44,893
	--	--	--	--	44,893
	--	--	--	--	86,687
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 131,580</u>

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Other Supplementary Information

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

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2023

Year Ended August 31	1		2		3
	Tax Rates				Assessed/Appraised Value For School Tax Purposes
	Maintenance		Debt Service		
2014 and Prior Years	\$	Various	\$	Various	\$ Various
2015		1.04		.25	396,230,784
2016		1.04		.25	350,960,572
2017		1.04		.3235	245,067,421
2018		1.04		.2868	237,491,676
2019		1.10		.17	239,895,279
2020		1.023		.17	299,218,110
2021		1.0093		.17	270,217,163
2022		1.0063		.17	224,024,569
2023 (School Year Under Audit)		.8975		.17	303,206,557
1000 Totals					

10 Beginning Balance 9/1/22	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/23
\$ 19,903	\$ --	\$ 73	\$ 17	\$ (85)	\$ 19,728
7,490	--	424	102	(84)	6,880
11,938	--	637	153	(84)	11,064
8,286	--	676	210	(86)	7,314
7,365	--	792	219	(128)	6,226
12,449	--	1,773	295	(570)	9,811
29,185	--	11,323	1,747	(512)	15,603
44,468	--	10,318	1,617	(125)	32,408
69,612	--	17,994	2,964	(3,873)	44,781
--	3,236,730	2,625,997	497,487	(27,167)	86,079
<u>\$ 210,696</u>	<u>\$ 3,236,730</u>	<u>\$ 2,670,007</u>	<u>\$ 504,811</u>	<u>\$ (32,714)</u>	<u>\$ 239,894</u>

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
 USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
 AS OF AUGUST 31, 2023

Data Control Codes		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
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.	\$ 341,803
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)	\$ 277,875
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 7,534
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 33,219

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 20,100	\$ 27,267	\$ 7,167
5800 State Program Revenues	2,621	2,621	--
5900 Federal Program Revenues	306,622	301,764	(4,858)
5020 Total Revenues	<u>329,343</u>	<u>331,652</u>	<u>2,309</u>
EXPENDITURES:			
Current:			
Student Support Services:			
0035 Food Services	297,793	286,759	11,034
Total Student Support Services	<u>297,793</u>	<u>286,759</u>	<u>11,034</u>
6030 Total Expenditures	<u>297,793</u>	<u>286,759</u>	<u>11,034</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	31,550	44,893	13,343
1200 Net Change in Fund Balance	<u>31,550</u>	<u>44,893</u>	<u>13,343</u>
0100 Fund Balance - Beginning	86,687	86,687	--
3000 Fund Balance - Ending	<u>\$ 118,237</u>	<u>\$ 131,580</u>	<u>\$ 13,343</u>

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 510,000	\$ 524,820	\$ 14,820
5800 State Program Revenues	22,168	22,168	--
5020 Total Revenues	<u>532,168</u>	<u>546,988</u>	<u>14,820</u>
EXPENDITURES:			
Debt Service:			
0071 Debt Service	300,000	300,000	--
0072 Interest on Long-Term Debt	202,025	202,025	--
0073 Bond Issuance Costs and Fees	2,000	1,300	700
Total Debt Service	<u>504,025</u>	<u>503,325</u>	<u>700</u>
6030 Total Expenditures	<u>504,025</u>	<u>503,325</u>	<u>700</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	28,143	43,663	15,520
1200 Net Change in Fund Balance	<u>28,143</u>	<u>43,663</u>	<u>15,520</u>
0100 Fund Balance - Beginning	388,843	388,843	--
3000 Fund Balance - Ending	<u>\$ 416,986</u>	<u>\$ 432,506</u>	<u>\$ 15,520</u>



DAVIS, HEINEMANN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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P.O. BOX 6308

HUNTSVILLE, TEXAS 77342

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FAX (936) 291-9607

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

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

Members of the Board of Trustees:

We have audited, in accordance with 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 North Zulch Independent School District, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise North Zulch Independent School District's basic financial statements, and have issued our report thereon dated December 18, 2023.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of 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.

Report on Compliance and Other Matters

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

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 cursive script that reads "Davis, Heinemann & Co." with a small cross-like symbol between "Heinemann" and "Co."

Davis, Heinemann & Company, P.C.

Huntsville, Texas
December 18, 2023

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more 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

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2023

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

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS AS OF AUGUST 31, 2023

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	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	\$ --

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