

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2022



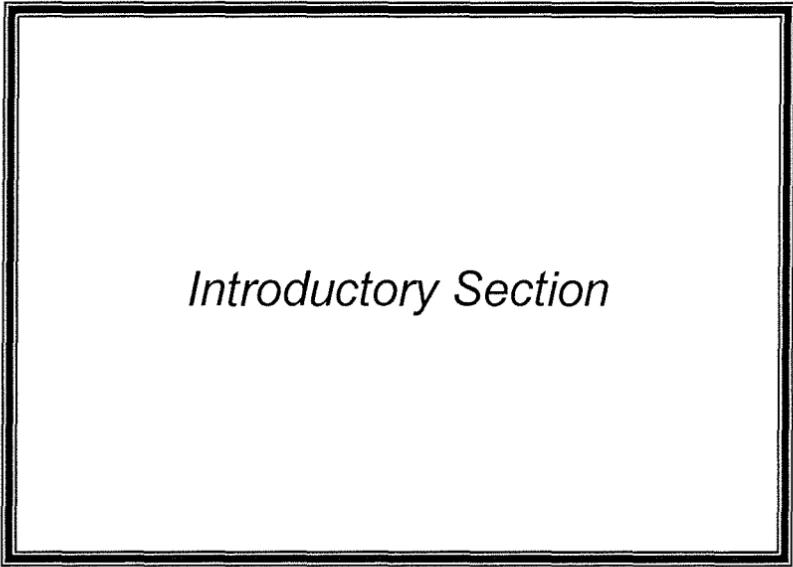
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Certified Public Accountants

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Introductory Section

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North Zulch Independent School District
Annual Financial Report
For The Year Ended August 31, 2022

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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, 2022, at a meeting of the board of trustees of such school district on the 26 day of JANUARY, 2023.


Signature of Board ~~Secretary~~ Vice President


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)

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Financial Section

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DAVIS, HEINEMANN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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P.O. BOX 6308

HUNTSVILLE, TEXAS 77342

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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, 2022, 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, 2022, 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

North Zulch Independent School District's 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 one year after the date that the financial statements are issued.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 required parts 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 comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinions on the 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 statement, 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 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 the 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,

A handwritten signature in cursive script that reads "Davis, Heinemann & Co.".

Davis, Heinemann & Company, P.C.

Huntsville, Texas
January 20, 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, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$6,701.3 thousand on August 31, 2022.
- During the year, the District's expenses were \$410.8 thousand less than the \$5,978.1 thousand generated in local, state and federal revenues for government-wide activities.
- The total cost of the District's programs was \$5,567.3 thousand, which is \$290.5 thousand more than the previous year.
- The general fund reported a fund balance this year of \$4,834.6 thousand.

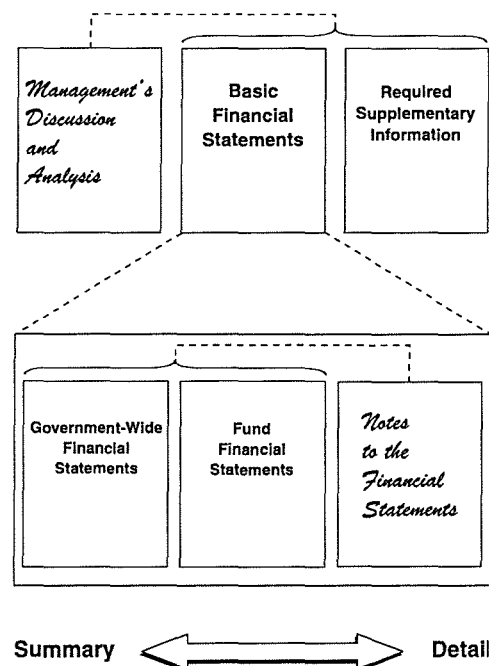
OVERVIEW OF THE FINANCIAL STATEMENTS

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 \$6,701.3 thousand at August 31, 2022. (See Table A-1).

Approximately \$421.2 thousand of the District's restricted net position represents resources restricted for the retirement of the District's long-term debt and \$114.4 thousand is restricted for federal and state programs. The \$2,613.5 thousand of unrestricted net position represents resources available to fund the programs of the District next year.

Expenditures increased six (6) percent from the prior year. Cash and cash equivalents increased from the prior year by sixteen (16) percent. The District entered into two new debt transactions which increased total long-term debt by \$4,235.0 thousand over the prior year.

Changes in net position. The District's total revenues were \$5,978.1 thousand. A significant portion, forty-eight (48) percent, of the District's revenue comes from taxes. Forty-eight (48) percent also comes from state aid and federal grants, while four (4) percent relates to charges for services, investment earnings and other income. Property tax revenue decreased sixteen (16) percent from the prior year. The decrease was due to lower property valuations and a lower tax rate. The total cost of all programs and services was \$5,567.3 thousand. Forty-nine (49) percent of these costs are for student instruction.

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

	Governmental Activities		Change
	<u>2022</u>	<u>2021</u>	<u>2022-2021</u>
Current Assets:			
Cash and Cash Equivalents	\$ 6,203.0	\$ 5,347.4	\$ 855.6
Current Investments	261.8	5.0	256.8
Property Taxes Receivable	210.7	198.5	12.2
Due from Other Governments	234.7	170.9	63.8
Accrued Interest	10.5	-	10.5
Inventories	2.9	2.9	-
Unrealized Expenses	3.8	0.3	3.5
Total Current Assets	<u>6,927.4</u>	<u>5,725.0</u>	<u>1,202.4</u>
Noncurrent Assets:			
Capital Assets	17,556.9	14,118.2	3,438.7
Less Accumulated Depreciation	(6,660.7)	(6,218.2)	(442.5)
Long-Term Investments	263.5	515.1	(251.6)
Total Noncurrent Assets	<u>11,159.7</u>	<u>8,415.1</u>	<u>2,744.6</u>
Total Assets	<u>18,087.1</u>	<u>14,140.1</u>	<u>3,947.0</u>
Deferred Outflows Related to Pensions	360.0	470.0	(110.0)
Deferred Outflows Related to OPEB	501.1	526.8	(25.7)
Deferred Outflows of Resources	<u>861.1</u>	<u>996.8</u>	<u>(135.7)</u>
Current Liabilities:			
Accounts Payable	137.4	86.6	50.8
Interest Payable	14.1	7.7	6.4
Accrued Liabilities	156.0	358.7	(202.7)
Unearned Revenue	80.0	641.9	(561.9)
Long-term Liabilities Due Within One Year	349.7	332.0	17.7
Total Current Liabilities	<u>737.2</u>	<u>1,426.9</u>	<u>(689.7)</u>
Long-Term Liabilities:			
Due in More Than One Year	7,747.6	3,403.4	4,344.2
Net Pension Liability	549.6	1,123.2	(573.6)
Net OPEB Liability	1,256.5	1,434.9	(178.4)
Total Long-Term Liabilities	<u>9,553.7</u>	<u>5,961.5</u>	<u>3,592.2</u>
Total Liabilities	<u>10,290.9</u>	<u>7,388.4</u>	<u>2,902.5</u>
Deferred Inflow Related to Pensions	656.8	242.0	414.8
Deferred Inflow Related to OPEB	1,299.2	1,216.1	83.1
Total Deferred Inflows of Resources	<u>1,956.0</u>	<u>1,458.1</u>	<u>497.9</u>
Net Position:			
Invested in Capital Assets	3,552.2	4,496.0	(943.8)
Restricted for State and Federal Programs	114.4	42.3	72.1
Restricted for Debt Service	421.2	490.9	(69.7)
Unrestricted	2,613.5	1,261.2	1,352.3
Total Net Position	<u>\$ 6,701.3</u>	<u>\$ 6,290.4</u>	<u>\$ 410.9</u>

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

	Governmental Activities		Change
	<u>2022</u>	<u>2021</u>	<u>2022-2021</u>
Program Revenues:			
Charges for Services	\$ 51.3	\$ 43.1	\$ 8.2
Operating Grants and Contributions	1,048.1	836.4	211.7
General Revenues			
Property Taxes	2,861.9	3,413.2	(551.3)
State Aid – Formula	1,837.6	895.5	942.1
Investment Earnings	39.5	12.3	27.2
Miscellaneous	139.7	113.3	26.4
Total Revenues	<u>5,978.1</u>	<u>5,313.8</u>	<u>664.3</u>
Program Expenditures:			
Instruction	2,700.4	2,502.2	198.2
Instructional Resources and Media Services	32.6	64.1	(31.5)
Curriculum Dev and Instructional Staff Dev	16.5	75.7	(59.2)
Instructional Leadership	0.3	2.5	(2.2)
School Leadership	260.7	270.7	(10.0)
Guidance, Counseling and Evaluation Services	81.3	90.4	(9.1)
Health Services	45.2	63.5	(18.3)
Student (Pupil) Transportation	178.2	199.0	(20.8)
Food Services	298.2	257.1	41.1
Curricular/Extracurricular Activities	301.2	280.0	21.2
General Administration	427.6	443.7	(16.1)
Plant Maintenance and Operations	608.6	573.1	35.5
Security and Monitoring Services	3.8	6.9	(3.1)
Data Processing Services	117.6	138.8	(21.2)
Payments to Fiscal Agent/Member Dist. – SSA	60.4	46.4	14.0
Bond Issuance Costs and Fees	200.8	102.4	98.4
Interest on Long-term Debt	132.0	40.7	91.3
Other Intergovernmental Charges	101.8	119.6	(17.8)
Total Expenses	<u>5,567.2</u>	<u>5,276.8</u>	<u>290.4</u>
Excess (Deficiency) Before Other Resources, Uses and Transfers	410.9	37.0	373.9
Beginning Net Position	6,290.4	6,253.4	37.0
Ending Net Position	<u>\$ 6,701.3</u>	<u>\$ 6,290.4</u>	<u>\$ 410.9</u>

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 2022 is \$1.1763 with \$1.0063 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 \$5,567.3 thousand.
- The taxpayers paid for most of these activities through property taxes.
- Income paid by those directly benefiting from programs was \$51.3 thousand. Operating grants and contributions were \$1,048.1 thousand.

General Fund Budgetary Highlights

Over the course of the year, the District revised the General Fund budget. Actual expenditures were \$28.7 thousand under final budgeted amounts. The most significant negative variance resulted from instruction. Resources available were \$318.4 thousand over the final estimated amount. The largest positive variance is in state program revenues.

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)

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>2022</u>	<u>2021</u>	<u>Change</u>
Instruction	\$ 2,700.5	\$ 2,506.5	\$ 194.0	\$ (2,134.6)	\$ (2,009.4)	\$ (125.2)
School Administration	427.6	443.7	(16.1)	(423.9)	(439.9)	16.0
Plant Maintenance and Operations	608.6	573.1	35.5	(578.8)	(555.7)	(23.1)
Debt Service – Interest and Fiscal	332.8	143.1	189.7	(332.5)	(141.6)	(190.9)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the District had invested \$17,556.9 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)

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2022</u>	<u>2021</u>	<u>2022-2021</u>
Land	\$ 72.4	\$ 72.4	\$ -
Construction In Progress	3,375.9	27.2	3,348.7
Buildings and Improvements	12,848.1	12,855.8	(7.7)
Vehicles	720.2	720.2	-
Equipment	540.3	442.6	97.7
Totals at Historical Cost	<u>17,556.9</u>	<u>14,118.2</u>	<u>3,438.7</u>
Total Accumulated Depreciation	(6,660.7)	(6,218.2)	(442.5)
Net Capital Assets	<u>\$ 10,896.2</u>	<u>\$ 7,900.0</u>	<u>\$ 2,996.2</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>2022</u>	<u>2021</u>	<u>2022-2021</u>
Bonds Payable	\$ 6,885.0	\$ 2,945.0	\$ 3,940.0
Premium on Bonds	655.1	226.9	428.2
Deferred Charges	63.1	71.6	(8.5)
Loans from Direct Borrowings	422.0	459.0	(37.0)
Compensated Absences	35.1	33.0	2.1
Right To Use Leased Assets	37.0	-	37.0
Net Pension Liability	549.6	1,123.2	(573.6)
Net OPEB Liability	1,256.5	1,434.9	(178.4)
Total Long-Term Debt	<u>\$ 9,903.4</u>	<u>\$ 6,293.6</u>	<u>\$ 3,609.8</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for fiscal year 2023 budget preparation is \$284,904,535 which is slightly over a twenty-seven (27) percent increase from the prior year.
- The maintenance and operations tax rate for fiscal year 2023 is \$0.8975 and the debt service tax rate is \$0.17.
- The District's projected refined average daily attendance for 2023 is expected to be 295, indicating a five (5) percent increase from fiscal year 2022.

These indicators were considered when adopting the general fund budget for fiscal year 2023. Amounts available for appropriation in the general fund budget are \$4,578.2 thousand which is an increase of \$40.1 thousand from the final 2022 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 2023.

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, 2022

1

Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 6,203,052
1120	Current Investments	261,792
1225	Property Taxes Receivable (Net)	210,696
1240	Due from Other Governments	234,707
1250	Accrued Interest	10,475
1300	Inventories	2,867
1410	Unrealized Expenses	3,806
	Capital Assets:	
1510	Land	72,355
1520	Buildings and Improvements, Net	7,166,059
1530	Furniture and Equipment, Net	281,783
1580	Construction in Progress	3,375,957
1910	Long-Term Investments	263,508
1000	Total Assets	<u>18,087,057</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	Deferred Outflow Related to Pensions	360,061
	Deferred Outflow Related to OPEB	501,067
1700	Total Deferred Outflows of Resources	<u>861,128</u>
LIABILITIES:		
2110	Accounts Payable	137,348
2140	Interest Payable	14,120
2165	Accrued Liabilities	149,944
2177	Due to Fiduciary	6,046
2300	Unearned Revenue	80,000
	Noncurrent Liabilities:	
2501	Due Within One Year	349,650
2502	Due in More Than One Year	7,747,631
2540	Net Pension Liability	549,614
2545	Net OPEB Liability	1,256,540
2000	Total Liabilities	<u>10,290,893</u>
DEFERRED INFLOWS OF RESOURCES:		
	Deferred Inflow Related to Pensions	656,819
	Deferred Inflow Related to OPEB	1,299,216
2600	Total Deferred Inflows of Resources	<u>1,956,035</u>
NET POSITION:		
3200	Net Investment in Capital Assets	3,552,194
	Restricted For:	
3820	State and Federal Programs	114,334
3850	Debt Service	421,205
3900	Unrestricted	2,613,524
3000	Total Net Position	<u>\$ 6,701,257</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, 2022

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	\$ 2,700,466	\$ 4,350	\$ 561,536	\$ (2,134,580)
12	Instructional Resources and Media Services	32,644	--	--	(32,644)
13	Curriculum and Staff Development	16,459	--	2,404	(14,055)
21	Instructional Leadership	279	--	--	(279)
23	School Leadership	260,725	--	4,948	(255,777)
31	Guidance, Counseling, and Evaluation Services	81,288	--	85,267	3,979
33	Health Services	45,163	--	33,538	(11,625)
34	Student Transportation	178,219	--	1,231	(176,988)
35	Food Service	298,177	18,449	312,454	32,726
36	Cocurricular/Extracurricular Activities	301,249	15,734	--	(285,515)
41	General Administration	427,600	--	3,717	(423,883)
51	Facilities Maintenance and Operations	608,577	12,800	17,021	(578,756)
52	Security and Monitoring Services	3,866	--	--	(3,866)
53	Data Processing Services	117,583	--	25,736	(91,847)
72	Interest on Long-term Debt	131,963	--	247	(131,716)
73	Bond Issuance Costs and Fees	200,830	--	--	(200,830)
93	Payments Related to Shared Services Arrangements	60,361	--	--	(60,361)
99	Other Intergovernmental Charges	101,832	--	--	(101,832)
TG	Total Governmental Activities	5,567,281	51,333	1,048,099	(4,467,849)
TP	Total Primary Government	<u>\$ 5,567,281</u>	<u>\$ 51,333</u>	<u>\$ 1,048,099</u>	<u>(4,467,849)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				2,479,865
DT	Property Taxes, Levied for Debt Service				382,060
IE	Investment Earnings				39,492
GC	Grants and Contributions Not Restricted to Specific Programs				1,837,607
MI	Miscellaneous				139,653
TR	Total General Revenues				<u>4,878,677</u>
CN	Change in Net Position				410,828
NB	Net Position - Beginning				6,290,429
NE	Net Position - Ending				<u>\$ 6,701,257</u>

The accompanying notes are an integral part of this statement.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2022

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 Cash and Cash Equivalents	\$ 4,433,645	\$ 1,296,752	\$ 472,655	\$ 6,203,052
1120 Current Investments	256,792	--	5,000	261,792
1225 Taxes Receivable, Net	178,335	--	32,361	210,696
1240 Due from Other Governments	86,569	--	148,138	234,707
1250 Accrued Interest	10,475	--	--	10,475
1260 Due from Other Funds	115,410	--	247	115,657
1300 Inventories	--	--	2,867	2,867
1410 Unrealized Expenditures	3,806	--	--	3,806
1900 Other Assets	263,508	--	--	263,508
1000 Total Assets	<u>\$ 5,348,540</u>	<u>\$ 1,296,752</u>	<u>\$ 661,268</u>	<u>\$ 7,306,560</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ 103,945	\$ 30,530	\$ 2,873	\$ 137,348
2150 Payroll Deductions and Withholdings	1,306	--	--	1,306
2160 Accrued Wages Payable	140,837	--	4,114	144,951
2170 Due to Other Funds	6,293	--	115,410	121,703
2200 Accrued Expenditures	3,221	--	466	3,687
2300 Unearned Revenue	80,000	--	--	80,000
2000 Total Liabilities	<u>335,602</u>	<u>30,530</u>	<u>122,863</u>	<u>488,995</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Revenue	178,335	--	32,361	210,696
2600 Total Deferred Inflows of Resources	<u>178,335</u>	<u>--</u>	<u>32,361</u>	<u>210,696</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410 Inventories	--	--	2,867	2,867
3430 Prepaid Items	300	--	--	300
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	114,334	114,334
3470 Capital Acquisitions and Contractual Obligations	--	1,266,222	--	1,266,222
3480 Retirement of Long-Term Debt	--	--	388,843	388,843
Committed Fund Balances:				
3510 Construction	2,000,000	--	--	2,000,000
3600 Unassigned	2,834,303	--	--	2,834,303
3000 Total Fund Balances	<u>4,834,603</u>	<u>1,266,222</u>	<u>506,044</u>	<u>6,606,869</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 5,348,540</u>	<u>\$ 1,296,752</u>	<u>\$ 661,268</u>	<u>\$ 7,306,560</u>

The accompanying notes are an integral part of this statement.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2022

Total fund balances - governmental funds balance sheet	\$ 6,606,869
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Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not reported in the funds.	10,896,155
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	210,696
Payables for bond principal which are not due in the current period are not reported in the funds.	(6,885,000)
Payables for right-to-use leases which are not due in the current period are not reported in the funds.	(36,960)
Payables for debt interest which are not due in the current period are not reported in the funds.	(14,120)
Payables for notes which are not due in the current period are not reported in the funds.	(422,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(35,150)
Deferred charges on refunded bonds are reported in the SNP but not in the funds.	(63,071)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(549,614)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(656,819)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	360,061
Bond premiums are reported in the SNP but not in the funds.	(655,100)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(1,256,540)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(1,299,216)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	501,067

Net position of governmental activities - Statement of Net Position	<u>\$ 6,701,257</u>
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The accompanying notes are an integral part of this statement.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 2,726,307	\$ 11,152	\$ 400,837	\$ 3,138,296
5800 State Program Revenues	2,130,194	--	37,400	2,167,594
5900 Federal Program Revenues	--	--	778,084	778,084
5020 Total Revenues	<u>4,856,501</u>	<u>11,152</u>	<u>1,216,321</u>	<u>6,083,974</u>
EXPENDITURES:				
Current:				
0011 Instruction	2,394,211	--	325,782	2,719,993
0012 Instructional Resources and Media Services	31,329	--	--	31,329
0013 Curriculum and Staff Development	12,998	--	2,403	15,401
0021 Instructional Leadership	279	--	--	279
0023 School Leadership	281,646	--	4,941	286,587
0031 Guidance, Counseling, and Evaluation Services	6,180	--	85,271	91,451
0033 Health Services	16,868	--	33,543	50,411
0034 Student Transportation	119,592	--	1,235	120,827
0035 Food Service	--	--	256,632	256,632
0036 Cocurricular/Extracurricular Activities	158,708	--	--	158,708
0041 General Administration	451,129	--	3,706	454,835
0051 Facilities Maintenance and Operations	594,729	--	17,027	611,756
0052 Security and Monitoring Services	3,866	--	--	3,866
0053 Data Processing Services	96,100	--	28,585	124,685
0071 Principal on Long-term Debt	48,028	--	295,000	343,028
0072 Interest on Long-term Debt	13,327	--	160,164	173,491
0073 Bond Issuance Costs and Fees	--	211,151	(1,817)	209,334
0081 Capital Outlay	129,515	3,246,442	--	3,375,957
0093 Payments to Shared Service Arrangements	60,361	--	--	60,361
0099 Other Intergovernmental Charges	101,832	--	--	101,832
6030 Total Expenditures	<u>4,520,698</u>	<u>3,457,593</u>	<u>1,212,472</u>	<u>9,190,763</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>335,803</u>	<u>(3,446,441)</u>	<u>3,849</u>	<u>(3,106,789)</u>
Other Financing Sources and (Uses):				
7911 Capital-Related Debt Issued (Regular Bonds)	--	4,235,000	--	4,235,000
7913 Issuance of Right to Use Leased Assets	47,988	--	--	47,988
7916 Premium or Discount on Issuance of Bonds	--	476,152	--	476,152
7080 Total Other Financing Sources and (Uses)	<u>47,988</u>	<u>4,711,152</u>	<u>--</u>	<u>4,759,140</u>
1200 Net Change in Fund Balances	<u>383,791</u>	<u>1,264,711</u>	<u>3,849</u>	<u>1,652,351</u>
0100 Fund Balances - Beginning	4,450,812	1,511	502,195	4,954,518
3000 Fund Balances - Ending	<u>\$ 4,834,603</u>	<u>\$ 1,266,222</u>	<u>\$ 506,044</u>	<u>\$ 6,606,869</u>

The accompanying notes are an integral part of this statement.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

Net change in fund balances - total governmental funds	\$ 1,652,351
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,473,605
The depreciation of capital assets used in governmental activities is not reported in the funds.	(477,452)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	12,290
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	295,000
Repayment of right-to-use lease principal is an expenditure in the funds but is not an expense in the SOA.	11,028
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	37,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	47,957
(Increase) decrease in accrued interest from beginning of period to end of period.	(6,429)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(2,155)
Certain ambulance receivables are deferred in the funds. This is the change in these amounts this year.	8,504
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(4,235,000)
Bond premiums are reported in the funds but not in the SOA.	(476,152)
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(47,988)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	110,147
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(92,096)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	30,778
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.	21,939
The District's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	(24,930)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	72,430
Change in net position of governmental activities - Statement of Activities	\$ <u>410,828</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, 2022

Data
Control
CodesCustodial
FundStudent
Activity**ASSETS:**

1110	Cash and Cash Equivalents	\$	25,129
1260	Due from Other Funds		6,046
1000	Total Assets	\$	<u>31,175</u>

LIABILITIES:

Current Liabilities:

2110	Accounts Payable	\$	274
2000	Total Liabilities		<u>274</u>

NET POSITION:

2190	Restricted for Other Purposes		30,901
3000	Total Net Position	\$	<u><u>30,901</u></u>

The accompanying notes are an integral part of this statement.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2022

	Custodial Funds
ADDITIONS:	
Student Group Fundraising Activities	\$ 110,769
Total Additions	<u>110,769</u>
DEDUCTIONS:	
Materials, Supplies and Student Group Fees	118,023
Total Deductions	<u>118,023</u>
Change in Fiduciary Net Position	(7,254)
Net Position-Beginning of the Year	38,155
Net Position-End of the Year	<u><u>\$ 30,901</u></u>

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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.

In addition, the District reports the following fund types:

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

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent 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 capital leases 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, 2022

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>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

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, 2022

f. Compensated Absences

On retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in a lump case payment to such employee or his/her estate. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments.

g. 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.

h. Use of Estimates

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

i. 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.

j. 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.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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.

k. 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.

l. 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.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
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B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
Expenditures are over appropriations in functions 11 and 72.	Total expenditures were not over budget at year end. The District will monitor budget to actual expenditures regularly.

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, 2022, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,459,887 and the bank balance was \$2,280,969. The District's cash deposits at August 31, 2022 and during the year ended August 31, 2022, 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, 2022, the District had a balance of \$5,292,850 in investment pools.

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.

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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 investments at August 31, 2022 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificate of Deposit	10/31/2022	\$ 5,000
Certificate of Deposit	12/31/2023	256,792
Certificate of Deposit	04/15/2023	263,508
Total Investments		<u>\$ 525,300</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2022, 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:

<u>Description</u>	<u>Minimum Required Rating</u>	<u>Investment Rating</u>	<u>Rating Organization</u>	<u>Fair Value</u>
TexPool	AAA	AAA	Std & Poors	\$ 704,890
Texas Range	AAA	AAAf	Fitch	4,587,960
				<u>\$ 5,292,850</u>

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.

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e. Foreign Currency Risk

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

Investment Accounting Policy

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

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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.

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, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 72,355	\$ --	\$ --	\$ 72,355
Construction in progress	27,183	3,375,957	27,183	3,375,957
Total capital assets not being depreciated	99,538	3,375,957	27,183	3,448,312
Capital assets being depreciated:				
Buildings and improvements	12,855,830	27,183	34,920	12,848,093
Equipment	442,635	49,660	--	492,295
Vehicles	720,192	--	--	720,192
Right to Use Asset	--	47,988	--	47,988
Total capital assets being depreciated	14,018,657	124,831	34,920	14,108,568
Less accumulated depreciation for:				
Buildings and improvements	(5,331,139)	(385,815)	(34,920)	(5,682,034)
Equipment	(382,858)	(17,567)	--	(400,425)
Vehicles	(504,198)	(66,071)	--	(570,269)
Right to Use Asset	--	(7,998)	--	(7,998)
Total accumulated depreciation	(6,218,195)	(477,451)	(34,920)	(6,660,726)
Total capital assets being depreciated, net	7,800,462	(352,620)	--	7,447,842
Governmental activities capital assets, net	\$ 7,900,000	\$ 3,023,337	\$ 27,183	\$ 10,896,154

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
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Depreciation was charged to functions as follows:

Instruction	\$	136,454
Instructional Resources and Media Services		4,107
Curriculum and Staff Development		1,092
School Leadership		4,916
Student Transportation		63,697
Food Services		51,431
Extracurricular Activities		149,734
General Administration		4,701
Plant Maintenance and Operations		61,319
	\$	<u>477,451</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2022, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Special Revenue Funds	\$ 115,657	Short-term loans
Debt Service	General Fund	247	
Student Activity	General Fund	6,046	
	Total	\$ <u>121,950</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, 2022, 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>
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 2,945,000	\$ 4,235,000	\$ 295,000	\$ 6,885,000	\$ 300,000
Right to Use Leases	--	47,988	11,028	36,960	11,650
Adjustments for:					
Discounts and Premiums	226,905	476,152	47,957	655,100	--
Deferred Charge	71,575	--	8,504	63,071	--
Compensated Absences *	32,995	2,155	--	35,150	--
Net Pension Liability *	1,123,178	(481,464)	92,100	549,614	--
Net OPEB Liability *	1,434,866	(152,878)	25,448	1,256,540	--
Notes from Direct Borrowings and Direct Placements	459,000	--	37,000	422,000	38,000
Total Governmental Activities	\$ <u>6,293,519</u>	\$ <u>4,126,953</u>	\$ <u>517,037</u>	\$ <u>9,903,435</u>	\$ <u>349,650</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

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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.

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, 2022, for North Zulch Independent School District, are as follows:

<u>Year Ending August 31,</u>	Governmental Activities				
	Bonds		Notes from Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2023	\$ 300,000	\$ 202,025	\$ 38,000	\$ 10,508	\$ 502,025
2024	310,000	195,925	39,000	9,562	554,433
2025	315,000	189,675	39,000	8,590	553,237
2026	320,000	183,325	40,000	7,619	550,915
2027	335,000	176,775	41,000	6,623	559,394
2028-2032	1,715,000	733,650	225,000	17,057	2,496,273
2033-2037	1,815,000	447,701	--	--	2,504,758
2038-2042	1,775,000	129,213	--	--	1,904,213
Totals	<u>\$ 6,885,000</u>	<u>\$ 2,258,289</u>	<u>\$ 422,000</u>	<u>\$ 59,959</u>	<u>\$ 9,625,248</u>

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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, 2022, was as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023 \$	11,650 \$	1,742 \$	13,392
2024	12,307	1,085	13,392
2025	13,003	389	13,392
\$	<u>36,960</u> \$	<u>3,216</u> \$	<u>40,176</u>

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 2022, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

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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.

	<u>Contribution Rates</u>	
	<u>2021</u>	<u>2022</u>
Member	7.7%	8.0%
Non-Employer Contributing Entity (State)	7.5%	7.75%
Employers	7.5%	7.75%
District's 2022 Employer Contributions		\$ 110,147
District's 2022 Member Contributions		\$ 193,830
2021 NECE On-Behalf Contributions (State)		\$ 141,347

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.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

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FOR THE YEAR ENDED AUGUST 31, 2022

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.

5. Actuarial Assumptions

The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	1.95% *
Last year ending August 31 in Projection Period	2120
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
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, 2020. For a full description of these assumptions, please see the actuarial valuation report dated November 9, 2020.

6. Discount Rate

A single discount rate of 7.25 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 7.25 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 rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates 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, 2021 are summarized below:

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Asset Class *	Target Allocation **	Long-Term Expected Arithmetic Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	3.6%	0.94%
Non-U.S. Developed	13.0%	4.4%	0.83%
Emerging Markets	9.0%	4.6%	0.74%
Private Equity	14.0%	6.3%	1.36%
Stable Value			
Government Bonds	16.0%	(0.2)%	0.01%
Absolute Return	0.0%	1.1%	0.00%
Stable Value Hedge Funds	5.0%	2.2%	0.12%
Real Return			
Real Estate	15.0%	4.5%	1.00%
Energy, Natural Resources and Infrastructure	6.0%	4.7%	0.35%
Commodities	0.0%	1.7%	0.00%
Risk Parity	8.0%	2.8%	0.28%
Asset Allocation Leverage			
Cash	2.0%	(0.7)%	(0.01)%
Asset Allocation Leverage	(6.0%)	(0.5)%	0.03%
Inflation Expectation			2.20%
Volatility Drag ****	-		(0.95)%
Expected Return	<u>100.0%</u>		<u>6.90%</u>

* Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on the FY2021 policy model.

*** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021)

**** 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 7.25 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability:	\$ 1,200,994	\$ 549,614	\$ 21,147

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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

At August 31, 2022, the District reported a liability of \$549,614 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	\$ 549,614
State's proportionate share that is associated with District	<u>843,497</u>
Total	<u>\$ 1,393,111</u>

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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, 2020 through August 31, 2021.

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.0021581885 percent which was an increase (decrease) of .0000610623% percent from its proportion measured as of August 31, 2020.

9. Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2022, the District recognized pension expense of \$64,690 and revenue of \$3,372 for support provided by the State.

At August 31, 2022, 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	\$ 920	\$ 38,693
Changes in Actuarial Assumptions	194,278	84,689
Difference Between Projected and Actual Investment Earnings	--	460,844
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	54,716	72,593
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability	110,147	--
Total	<u>\$ 360,061</u>	<u>\$ 656,819</u>

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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
2023	\$ (62,745)
2024	\$ (86,448)
2025	\$ (113,066)
2026	\$ (143,206)
2027	\$ (1,779)
Thereafter	\$ 337

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.

TRS-Care Monthly Premium Rates

	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, 2022

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 school districts based upon public school district payroll. The TRS board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of pay. Section 1575.204 establishes an employer 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 public or charter school. The actual employer 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>
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/Private Funding remitted by Employers	1.25%
District's 2022 Employer Contributions	\$ 21,939
District's 2022 Member Contributions	\$ 21,939
2021 NECE On-Behalf Contributions (state)	\$ 141,347

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The 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, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

Rates of Mortality	Rates of Disability
Rates of Retirement	General Inflation
Rates of Termination	Wage Inflation

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, with full generational projection using the ultimate improvement rates from the mortality projection scale MP-2018.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Health Care Trend Rates	8.5% to 4.25%
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 8.50 percent for Medicare retirees and 7.10 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50 percent for all retirees. The initial trend rates decrease to an an ultimate trend rate of 4.25 percent over a period of 12 years.

6. Discount Rate

A single discount rate of 1.95 percent was used to measure the Total OPEB Liability. This was a decrease of 0.38 percent in the discount rate since the previous year. Because the plan is essentially 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, 2021 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 (1.95%) in measuring the Net OPEB Liability.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

	1% Decrease in Discount Rate (0.95%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District's proportionate share of the Net OPEB Liability:	\$ 1,515,677	\$ 1,256,540	\$ 1,052,591

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

At August 31, 2022, the District reported a liability of \$1,256,540 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	\$ 1,256,540
State's proportionate share that is associated with the District	<u>1,683,484</u>
Total	<u>\$ 2,940,024</u>

The Net OPEB liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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, 2020 through August 31, 2021.

At August 31, 2022 the District's proportion of the collective net OPEB liability was 0.0032574394, compared to 0.0037745214% 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.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of Net OPEB Liability:	\$ 1,017,756	\$ 1,256,540	\$ 1,576,929

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 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased 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 \$(109,633).

At August 31, 2022, 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:

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 54,100	\$ 608,253
Changes in actuarial assumptions	139,177	265,735
Difference between projected and actual investment earnings	1,364	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	284,487	425,228
Contributions paid to TRS subsequent to the measurement date	21,939	--
Total	<u>\$ 501,067</u>	<u>\$ 1,299,216</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
2023	\$ (137,420)
2024	\$ (137,451)
2025	\$ (137,443)
2026	\$ (104,367)
2027	\$ (59,588)
Thereafter	\$ (243,820)

For the year ended August 31, 2022, the District recognized OPEB expense of \$(109,633) and revenue of \$(62,133) 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, 2022, the subsidy payment received by TRS-Care on behalf of the District was \$10,293.

K. Employee Health Care Coverage

During the year ended August 31, 2022, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$341 per month per employee to the Plan. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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, 2022.

M. 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 \$4,240 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).

The budget for the local funds provided by North Zulch ISD was \$60,361 for the 2021/2022 school year.

N. Subsequent Events

The District evaluated subsequent events through January 20, 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, 2022.

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, 2022

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
	REVENUES:				
5700	Local and Intermediate Sources	\$ 2,656,450	\$ 2,656,450	\$ 2,726,307	\$ 69,857
5800	State Program Revenues	1,881,674	1,881,674	2,130,194	248,520
5020	Total Revenues	4,538,124	4,538,124	4,856,501	318,377
	EXPENDITURES:				
	Current:				
	Instruction and Instructional Related Services:				
0011	Instruction	2,064,399	2,349,399	2,394,211	(44,812)
0012	Instructional Resources and Media Services	31,828	31,828	31,329	499
0013	Curriculum and Staff Development	16,500	16,500	12,998	3,502
	Total Instruction and Instr. Related Services	2,112,727	2,397,727	2,438,538	(40,811)
	Instructional and School Leadership:				
0021	Instructional Leadership	5,500	5,500	279	5,221
0023	School Leadership	281,188	282,188	281,646	542
	Total Instructional and School Leadership	286,688	287,688	281,925	5,763
	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	14,855	14,855	6,180	8,675
0033	Health Services	52,457	19,457	16,868	2,589
0034	Student (Pupil) Transportation	117,316	125,316	119,592	5,724
0036	Cocurricular/Extracurricular Activities	152,564	159,064	158,708	356
	Total Support Services - Student (Pupil)	337,192	318,692	301,348	17,344
	Administrative Support Services:				
0041	General Administration	414,965	451,965	451,129	836
	Total Administrative Support Services	414,965	451,965	451,129	836
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	615,705	607,705	594,729	12,976
0052	Security and Monitoring Services	5,950	5,950	3,866	2,084
0053	Data Processing Services	100,515	105,515	96,100	9,415
	Total Support Services - Nonstudent Based	722,170	719,170	694,695	24,475
	Debt Service:				
0071	Principal on Long-Term Debt	37,000	57,000	48,028	8,972
0072	Interest on Long-Term Debt	10,968	10,968	13,327	(2,359)
	Total Debt Service	47,968	67,968	61,355	6,613
	Capital Outlay:				
0081	Capital Outlay	--	144,000	129,515	14,485
	Total Capital Outlay	--	144,000	129,515	14,485
	Intergovernmental Charges:				
0091	Contracted Instr. Services Between Public Schools	6,000	--	--	--
0093	Payments to Fiscal Agent/Member Dist. -SSA	60,361	60,361	60,361	--
0099	Other Intergovernmental Charges	122,000	101,832	101,832	--
	Total Intergovernmental Charges	188,361	162,193	162,193	--
6030	Total Expenditures	4,110,071	4,549,403	4,520,698	28,705
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	428,053	(11,279)	335,803	347,082
	Other Financing Sources (Uses):				
7913	Issuance of Right to Use Leased Assets	--	--	47,988	47,988
7080	Total Other Financing Sources and (Uses)	--	--	47,988	47,988
1200	Net Change in Fund Balance	428,053	(11,279)	383,791	395,070
0100	Fund Balance - Beginning	4,450,812	4,450,812	4,450,812	--
3000	Fund Balance - Ending	\$ 4,878,865	\$ 4,439,533	\$ 4,834,603	\$ 395,070

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 Ended August 31,			
	2021	2020	2019	2018
District's proportion of the net pension liability (asset)	0.0021581885%	0.002097126%	0.002223981%	0.002250124%
District's proportionate share of the net pension liability (asset)	\$ 549,614	\$ 1,123,178	\$ 1,156,095	\$ 1,238,523
State's proportionate share of the net pension liability (asset) associated with the District	843,497	1,860,621	1,790,834	1,974,175
Total	<u>\$ 1,393,111</u>	<u>\$ 2,983,799</u>	<u>\$ 2,946,929</u>	<u>\$ 3,212,698</u>
District's covered-employee payroll	\$ 2,310,305	\$ 2,298,878	\$ 2,255,650	\$ 2,258,184
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	23.79%	48.86%	51.25%	54.85%
Plan fiduciary net position as a percentage of the total pension liability	88.79%	75.54%	73.74%	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 for those years for which information is available.

Measurement Year Ended August 31,			
2017	2016	2015	2014
0.002212597%	0.002538400%	0.001971500%	0.001203800%
\$ 707,469	\$ 959,231	\$ 696,899	\$ 321,552
1,103,141	1,236,738	1,381,736	1,195,811
<u>\$ 1,810,610</u>	<u>\$ 2,195,969</u>	<u>\$ 2,078,635</u>	<u>\$ 1,517,363</u>
\$ 2,127,621	\$ 2,022,390	\$ 2,146,457	\$ 2,097,177
33.25%	47.43%	32.47%	15.33%
82.17%	78.00%	78.43%	83.25%

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

	Fiscal Year Ended August 31,			
	2022	2021	2020	2019
Contractually required contribution	\$ 110,147	\$ 92,096	\$ 84,558	\$ 77,915
Contributions in relation to the contractually required contribution	(110,147)	(92,096)	(84,558)	(77,915)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 2,422,868	\$ 2,310,305	\$ 2,298,878	\$ 2,255,650
Contributions as a percentage of covered-employee payroll	4.55%	3.99%	3.68%	3.45%

* 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 for those years for which information is available.

EXHIBIT G-3

Fiscal Year Ended August 31,				
2018	2017	2016	2015	
\$ 75,801	\$ 70,744	\$ 81,933	\$ 58,360	
(75,801)	(70,744)	(81,933)	(58,360)	
\$ --	\$ --	\$ --	\$ --	
\$ 2,258,184	\$ 2,127,621	\$ 2,022,390	\$ 2,146,457	
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 Ended August 31,				
	2021	2020	2019	2018	2017
District's proportion of the collective net OPEB liability	0.003257439%	0.003774521%	0.003663400%	0.004004743%	0.003354420%
District's proportionate share of the collective net OPEB liability	\$ 1,256,540	\$ 1,434,866	\$ 1,732,468	\$ 1,999,605	\$ 1,450,459
State proportionate share of the collective net OPEB liability associated with the District	1,683,484	1,928,116	2,302,061	1,932,053	1,654,008
Total	<u>\$ 2,940,024</u>	<u>\$ 3,362,982</u>	<u>\$ 4,034,529</u>	<u>\$ 3,931,658</u>	<u>\$ 3,104,467</u>
District's covered-employee payroll	\$ 2,310,305	\$ 2,298,878	\$ 2,255,650	\$ 2,258,184	\$ 2,127,621
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	54.39%	62.42%	76.81%	88.55%	68.17%
Plan fiduciary net position as a percentage of the total OPEB liability	6.18%	4.99%	2.66%	1.57%	0.91%

* 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.

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

	Fiscal Year Ended August 31,				
	2022	2021	2020	2019	2018
Statutorily or contractually required District contribution	\$ 21,939	\$ 24,930	\$ 30,659	\$ 24,264	\$ 28,762
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(21,939)	(24,930)	(30,659)	(24,264)	(28,762)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 2,422,868	\$ 2,310,305	\$ 2,298,878	\$ 2,255,650	\$ 2,258,184
Contributions as a percentage of covered-employee payroll	0.91%	1.08%	1.33%	1.08%	1.27%

* 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 for those years for which information is available.

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED AUGUST 31, 2022

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

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

Other Post-Employment Benefit Plan

Changes of benefit terms

There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period

Changes of assumptions

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 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased 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, 2022

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:			
1110 Cash and Cash Equivalents	\$ 89,059	\$ 383,596	\$ 472,655
1120 Current Investments	--	5,000	5,000
1225 Taxes Receivable, Net	--	32,361	32,361
1240 Due from Other Governments	148,138	--	148,138
1260 Due from Other Funds	--	247	247
1300 Inventories	2,867	--	2,867
1000 Total Assets	<u>\$ 240,064</u>	<u>\$ 421,204</u>	<u>\$ 661,268</u>
LIABILITIES:			
Current Liabilities:			
2110 Accounts Payable	\$ 2,873	\$ --	\$ 2,873
2160 Accrued Wages Payable	4,114	--	4,114
2170 Due to Other Funds	115,410	--	115,410
2200 Accrued Expenditures	466	--	466
2000 Total Liabilities	<u>122,863</u>	<u>--</u>	<u>122,863</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Revenue	--	32,361	32,361
2600 Total Deferred Inflows of Resources	<u>--</u>	<u>32,361</u>	<u>32,361</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
3410 Inventories	2,867	--	2,867
Restricted Fund Balances:			
3450 Federal/State Funds Grant Restrictions	114,334	--	114,334
3480 Retirement of Long-Term Debt	--	388,843	388,843
3000 Total Fund Balances	<u>117,201</u>	<u>388,843</u>	<u>506,044</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 240,064</u>	<u>\$ 421,204</u>	<u>\$ 661,268</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, 2022

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 Local and Intermediate Sources	\$ 18,749	\$ 382,088	\$ 400,837
5800 State Program Revenues	37,153	247	37,400
5900 Federal Program Revenues	778,084	--	778,084
5020 Total Revenues	<u>833,986</u>	<u>382,335</u>	<u>1,216,321</u>
EXPENDITURES:			
Current:			
0011 Instruction	325,782	--	325,782
0013 Curriculum and Staff Development	2,403	--	2,403
0023 School Leadership	4,941	--	4,941
0031 Guidance, Counseling, and Evaluation Services	85,271	--	85,271
0033 Health Services	33,543	--	33,543
0034 Student Transportation	1,235	--	1,235
0035 Food Service	256,632	--	256,632
0041 General Administration	3,706	--	3,706
0051 Facilities Maintenance and Operations	17,027	--	17,027
0053 Data Processing Services	28,585	--	28,585
0071 Principal on Long-term Debt	--	295,000	295,000
0072 Interest on Long-term Debt	--	160,164	160,164
0073 Bond Issuance Costs and Fees	--	(1,817)	(1,817)
6030 Total Expenditures	<u>759,125</u>	<u>453,347</u>	<u>1,212,472</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	74,861	(71,012)	3,849
1200 Net Change in Fund Balances	<u>74,861</u>	<u>(71,012)</u>	<u>3,849</u>
0100 Fund Balances - Beginning	42,340	459,855	502,195
3000 Fund Balances - Ending	<u>\$ 117,201</u>	<u>\$ 388,843</u>	<u>\$ 506,044</u>

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NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2022

Data Control Codes		211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting
ASSETS:				
1110	Cash and Cash Equivalents	\$ --	\$ 89,059	\$ --
1240	Due from Other Governments	28,667	33,146	4,627
1300	Inventories	--	2,867	--
1000	Total Assets	<u>\$ 28,667</u>	<u>\$ 125,072</u>	<u>\$ 4,627</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ 2,873	\$ --
2160	Accrued Wages Payable	--	4,114	--
2170	Due to Other Funds	28,667	418	4,627
2200	Accrued Expenditures	--	466	--
2000	Total Liabilities	<u>28,667</u>	<u>7,871</u>	<u>4,627</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410	Inventories	--	2,867	--
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	114,334	--
3000	Total Fund Balances	<u>--</u>	<u>117,201</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 28,667</u>	<u>\$ 125,072</u>	<u>\$ 4,627</u>

270 ESEA, Title V Part B, Subpart 2 Rural School	281 ESSER Fund II of the CRRSA Act	282 ESSER Fund III of the American Rescue Plan Act	289 Federal Grant Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ --	\$ --	\$ --	\$ --	\$ 89,059
24,505	21,316	16,930	18,947	148,138
--	--	--	--	2,867
<u>\$ 24,505</u>	<u>\$ 21,316</u>	<u>\$ 16,930</u>	<u>\$ 18,947</u>	<u>\$ 240,064</u>
\$ --	\$ --	\$ --	\$ --	\$ 2,873
--	--	--	--	4,114
24,505	21,316	16,930	18,947	115,410
--	--	--	--	466
<u>24,505</u>	<u>21,316</u>	<u>16,930</u>	<u>18,947</u>	<u>122,863</u>
--	--	--	--	2,867
--	--	--	--	114,334
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>117,201</u>
<u>\$ 24,505</u>	<u>\$ 21,316</u>	<u>\$ 16,930</u>	<u>\$ 18,947</u>	<u>\$ 240,064</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, 2022

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-Part B Formula	240 National School Breakfast/Lunch Program
REVENUES:			
5700 Local and Intermediate Sources	\$ --	\$ --	\$ 18,749
5800 State Program Revenues	--	--	270
5900 Federal Program Revenues	64,827	--	320,500
5020 Total Revenues	<u>64,827</u>	<u>--</u>	<u>339,519</u>
EXPENDITURES:			
Current:			
0011 Instruction	69,080	3,113	--
0013 Curriculum and Staff Development	--	--	--
0023 School Leadership	--	--	--
0031 Guidance, Counseling, and Evaluation Services	--	--	--
0033 Health Services	--	--	--
0034 Student Transportation	--	--	--
0035 Food Service	--	--	252,926
0041 General Administration	--	--	--
0051 Facilities Maintenance and Operations	--	--	--
0053 Data Processing Services	--	--	--
6030 Total Expenditures	<u>69,080</u>	<u>3,113</u>	<u>252,926</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(4,253)</u>	<u>(3,113)</u>	<u>86,593</u>
1200 Net Change in Fund Balances	<u>(4,253)</u>	<u>(3,113)</u>	<u>86,593</u>
0100 Fund Balances - Beginning	4,253	3,113	30,608
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 117,201</u>

255 ESEA Title II Training & Recruiting	270 ESEA, Title V Part B, Subpart 2 Rural School	281 ESSER Fund II of the CRRSA Act	282 ESSER Fund III of the American Rescue Plan Act	289 Federal Grant Funds
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	32,307
11,645	24,505	84,036	228,038	44,533
<u>11,645</u>	<u>24,505</u>	<u>84,036</u>	<u>228,038</u>	<u>76,840</u>
9,242	--	--	205,289	32,961
2,403	--	--	--	--
--	--	--	4,941	--
--	--	84,036	1,235	--
--	--	--	1,235	32,308
--	--	--	1,235	--
--	--	--	3,706	--
--	--	--	3,706	--
--	--	--	5,456	11,571
--	27,350	--	1,235	--
<u>11,645</u>	<u>27,350</u>	<u>84,036</u>	<u>228,038</u>	<u>76,840</u>
--	(2,845)	--	--	--
--	<u>(2,845)</u>	--	--	--
--	2,845	--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</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, 2022

Data Control Codes	410 State Textbook Fund	429 State Funded Special Revenue Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
REVENUES:			
5700 Local and Intermediate Sources	\$ --	\$ --	\$ 18,749
5800 State Program Revenues	4,576	--	37,153
5900 Federal Program Revenues	--	--	778,084
5020 Total Revenues	<u>4,576</u>	<u>--</u>	<u>833,986</u>
EXPENDITURES:			
Current:			
0011 Instruction	4,576	1,521	325,782
0013 Curriculum and Staff Development	--	--	2,403
0023 School Leadership	--	--	4,941
0031 Guidance, Counseling, and Evaluation Services	--	--	85,271
0033 Health Services	--	--	33,543
0034 Student Transportation	--	--	1,235
0035 Food Service	--	--	256,632
0041 General Administration	--	--	3,706
0051 Facilities Maintenance and Operations	--	--	17,027
0053 Data Processing Services	--	--	28,585
6030 Total Expenditures	<u>4,576</u>	<u>1,521</u>	<u>759,125</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	(1,521)	74,861
1100 Expenditures	--	(1,521)	74,861
1200 Net Change in Fund Balances	--	(1,521)	74,861
0100 Fund Balances - Beginning	--	1,521	42,340
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 117,201</u>

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, 2022

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2013 and Prior Years	\$	Various	\$	Various	\$	Various
2014		1.04		.25		472,576,349
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 (School Year Under Audit)		1.0063		.17		224,024,569

1000 Totals

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

10 Beginning Balance 9/1/21	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/22
\$ 14,384	\$ --	\$ 99	\$ 30	\$ --	\$ 14,255
5,997	--	281	68	--	5,648
8,508	--	821	197	--	7,490
13,373	--	1,157	278	--	11,938
9,577	--	264	82	(945)	8,286
12,373	--	3,206	884	(918)	7,365
29,910	--	14,191	2,193	(1,077)	12,449
35,887	--	4,665	775	(1,262)	29,185
68,397	--	18,743	3,151	(2,035)	44,468
--	2,635,201	2,185,217	369,147	(11,225)	69,612
<u>\$ 198,406</u>	<u>\$ 2,635,201</u>	<u>\$ 2,228,644</u>	<u>\$ 376,805</u>	<u>\$ (17,462)</u>	<u>\$ 210,696</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
AS OF AUGUST 31, 2022

<u>Data Control Codes</u>		<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.	\$ 294,294
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)	\$ 284,109
<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.	\$ 4,035
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 6,994

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 8,500	\$ 18,749	\$ 10,249
5800	State Program Revenues	1,071	270	(801)
5900	Federal Program Revenues	235,634	320,500	84,866
5020	Total Revenues	<u>245,205</u>	<u>339,519</u>	<u>94,314</u>
	EXPENDITURES:			
	Current:			
	Support Services - Student (Pupil):			
0035	Food Services	<u>252,205</u>	<u>252,926</u>	<u>(721)</u>
	Total Support Services - Student (Pupil)	<u>252,205</u>	<u>252,926</u>	<u>(721)</u>
6030	Total Expenditures	<u>252,205</u>	<u>252,926</u>	<u>(721)</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>(7,000)</u>	<u>86,593</u>	<u>93,593</u>
1200	Net Change in Fund Balance	<u>(7,000)</u>	<u>86,593</u>	<u>93,593</u>
0100	Fund Balance - Beginning	<u>30,608</u>	<u>30,608</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 23,608</u>	<u>\$ 117,201</u>	<u>\$ 93,593</u>

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		1	2	3 Variance Positive (Negative)
		Budget	Actual	
REVENUES:				
5700	Local and Intermediate Sources	\$ 388,050	\$ 382,088	\$ (5,962)
5800	State Program Revenues	1,100	247	(853)
5020	Total Revenues	389,150	382,335	(6,815)
EXPENDITURES:				
Debt Service:				
0071	Principal on Long-Term Debt	295,000	295,000	--
0072	Interest on Long-Term Debt	166,650	160,164	6,486
0073	Bond Issuance Costs and Fees	500	(1,817)	2,317
	Total Debt Service	462,150	453,347	8,803
6030	Total Expenditures	462,150	453,347	8,803
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(73,000)	(71,012)	1,988
1200	Net Change in Fund Balance	(73,000)	(71,012)	1,988
0100	Fund Balance - Beginning	459,855	459,855	--
3000	Fund Balance - Ending	\$ 386,855	\$ 388,843	\$ 1,988



DAVIS, HEINEMANN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

1300 11TH STREET, SUITE 500

P.O. BOX 6308

HUNTSVILLE, TEXAS 77342

PHONE (936) 291-3020

FAX (936) 291-9607

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

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

Members of the Board of Trustees:

We have audited, in accordance with 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, 2022, 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 January 20, 2023.

Report on Internal Control Over Financial Reporting

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

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

Davis, Heinemann & Company, P.C.

Huntsville, Texas
January 20, 2023

NORTH ZULCH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022

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, 2022

<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, 2022**

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