

MORTON INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

YEAR ENDED AUGUST 31, 2021

MORTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2021

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Certificate of Board	3
<u>Basic Financial Statements</u>	
Independent Auditor's Report	6
Management's Discussion and Analysis	8
Government Wide Statements:	
A-1 Statement of Net Position	15
B-1 Statement of Activities	16
Governmental Fund Financial Statements:	
C-1 Balance Sheet	18
C-2 Reconciliation for C-1	20
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	21
C-4 Reconciliation for C-3	23
Fiduciary Fund Financial Statements	
E-1 Statement of Fiduciary Net Position	25
E-2 Statement of Changes in Fiduciary Fund Net Position	26
Notes to the Financial Statements	27
Required Supplementary Information	
G-1 Budgetary Comparison Schedule - General Fund	49
G-2 Schedule of Proportionate Share Net Pension Liability TRS	50
G-3 Schedule of Contributions to Teacher Retirement System	51
G-4 Schedule of Proportionate Share Net OPEB Liabilities	52
G-5 Schedule of OPEB Contributions	53
<u>Required TEA Schedules</u>	
J-1 Schedule of Delinquent Taxes	55
J-4 Budgetary Comparison Schedule – State Funded Special Revenue Fund	57
J-5 Budgetary Comparison Schedule – PEP Alternative School	58
<u>Reports on Internal Control, Compliance, and Federal Awards</u>	
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 <i>Government Auditing Standards</i>	60
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required By The Uniform Guidance	62
Schedule of Findings and Questioned Costs	64
Schedule of Expenditures of Federal Awards	65
Notes to Schedule of Expenditures of Federal Awards	67
Schedule of Required Responses to Selected School FIRST Indicators	68

CERTIFICATE OF BOARD

Morton Independent School District Cochran 040901
Name of School District County Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved disapproved for the year ended August 31, 2021 at a meeting of the Board of Trustees of such school district on the 27 of January, 2022.



Signature of Board Secretary



Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is(are):
(attach list as necessary)

THIS PAGE LEFT BLANK INTENTIONALLY

BASIC FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Morton Independent School District
Morton, Texas 79346

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Morton Independent School District (the District) as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Morton Independent School District, as of August 31, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison, the Schedule of Proportionate Share Net Pension Liability TRS,



the Schedule of Contributions to Teacher Retirement System, Schedule of Proportionate Share Net OPEB Liabilities and Schedule of OPEB Contributions information as noted in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplementary section and the required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such 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 schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires the District to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-3. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2022 on our consideration of the Morton 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 to describe the scope of our testing of internal control over financial reporting and compliance and results of the testing, and not to provide an opinion on the effectiveness of Morton Independent School District 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 the District's internal control over financial reporting and compliance.

CMMS CPAs and Advisors, PLLC

Levelland, Texas
January 24, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Morton Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2021. Please read it in conjunction with the independent auditor's report and the District's basic financial statements.

FINANCIAL HIGHLIGHTS

- At the close of the most recent fiscal year, the District's assets exceeded its liabilities by \$2,495,526. Of this amount, (\$44,658) was unrestricted net position. This negative net position was created by GASB 68 & GASB 75 implementation.
- The District's net assets decreased by (\$256,643) or (5.2%) as a result of this year's operations. The District had a loss that was (\$563,087) less than the \$6,572,420 spent in expenses for governmental programs. This compares to last year when revenues exceeded expenses by \$962,150.
- The General Fund ended the year with a fund balance of \$3,581,499.
- The resources available for appropriation were \$217,344 less than budgeted for the General Fund.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers, and how the sales revenue covers the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The primary purpose of the government-wide statements is to show whether the District has improved or deteriorated as result of the current year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year, while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the District and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and other revenues such as those provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current year or future years.

These two statements report the District's net position and changes in it. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has one kind of activity:

- ***Governmental activities*** – Most of the District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the Every Student Succeeds Act (ESSA) from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's three kinds of funds – governmental, proprietary, and fiduciary – use different accounting approaches.

- ***Governmental funds*** – Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- ***Fiduciary funds*** – The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities decreased from \$3,058,613 to \$2,495,526. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was (\$44,658) at August 31, 2021. This increase in governmental net position was the result of the District's prior year adjustments.

Table I
Morton Independent School District
NET POSITION

	Governmental Activities	
	2020	2021
Assets:		
Current and other assets	\$ 4,798,113	\$ 3,932,105
Capital assets	2,030,819	2,540,184
Total Assets	<u>\$ 6,828,932</u>	<u>\$ 6,472,289</u>
Deferred Outflows:		
Deferred Outflows	<u>\$ 1,590,056</u>	<u>\$ 2,008,160</u>
Liabilities:		
Current liabilities	\$ 319,484	\$ 288,638
Other long term liabilities	23,001	39,566
Net Pension Liability	1,431,937	1,674,227
Net OPEB Liability	2,290,518	2,147,073
Total Liabilities	<u>\$ 4,064,940</u>	<u>\$ 4,149,504</u>
Deferred Inflows		
Deferred Inflows:	<u>\$ 1,295,435</u>	<u>\$ 1,835,419</u>
Net Position:		
Net investment in capital assets	\$ 2,030,819	\$ 2,540,184
Unrestricted Net Position	1,027,794	(44,658)
Total Net Position	<u>\$ 3,058,613</u>	<u>\$ 2,495,526</u>

Table II
Morton Independent School District
CHANGES IN NET POSITION

	Governmental Activities	
	2020	2021
Revenues:		
Program Revenues:		
Charges for services	\$ 26,524	\$ 33,371
Operating grants and contributions	1,189,850	851,464
General Revenues:		
Maintenance and operations taxes	536,676	425,622
Grants, contributions not restricted to specific functions	3,951,088	4,338,428
Pep Alternative School Revenue	466,383	-
Investment earnings	42,518	28,758
Miscellaneous	258,951	331,690
Total Revenues	<u>\$ 6,471,990</u>	<u>\$ 6,009,333</u>
Expenses:		
Instruction	\$ 2,751,918	\$ 3,752,817
Instructional Resources and Media Services	30,043	32,163
Curriculum and Instructional Staff Development	5,587	6,218
Instructional Leadership	8,500	16,178
School Leadership	478,627	558,587
Guidance, Counseling and Evaluation Services	116,631	136,622
Health Services	62,945	75,191
Student (Pupil) Transportation	87,649	91,583
Food Services	341,812	297,177
Co-Curricular/Extracurricular Activities	210,682	310,542
General Administration	335,115	390,701
Plant Maintenance and Operations	829,177	595,109
Security and Monitoring Services	5,571	6,049
Data Processing Services	58,520	224,683
Community Services	62	-
Payments Related to Shared Service Arrangements	174,014	67,687
Other Intergovernmental Charges	12,987	11,113
Total Expenses	<u>\$ 5,509,840</u>	<u>\$ 6,572,420</u>
Increase/(Decrease) in net position	\$ 962,150	\$ (563,087)
Net Position at beginning of year	<u>2,096,463</u>	<u>3,058,613</u>
Net Position at end of year	<u>\$ 3,058,613</u>	<u>\$ 2,495,526</u>

The District's total revenues decreased \$462,657. The total cost of all programs and services increased \$1,062,580 or 19% from 2020.

The District experienced a decrease in net position of \$563,087 this year. The District had net loss of \$563,087.

The cost of all governmental activities this year was \$6,572,420 compared to \$5,509,840 last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was \$425,622 because some of the costs were paid by those who directly benefited from the programs (\$851,464), charge for services (\$33,371), by other governments and organizations that subsidized certain programs with grants and contributions (\$4,338,428), and by investment and miscellaneous revenues (\$360,448).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds as presented in the Balance Sheet reported a combined fund balance of \$3,581,499, which is below last year's total of \$4,322,681. Included in this year's total change in fund balance is a decrease of \$741,182 in the District's General Fund. The primary reason for the General Fund's increase in governmental activities is due to a decrease in operating expenses.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments served mainly to reallocate funds from programs with excess resources to programs that were short on resources.

The District's General Fund's fund balance of \$3,581,499 reported on the Balance Sheet differs from the General Fund's budgetary fund balance of \$3,296,011 reported on the budgetary comparison schedule. This is principally due to expenditures being realized lower than projected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the District had \$2,540,185 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$509,365, or 25% above last year (\$2,030,820).

This year's major additions included:

Construction in Progress	\$ 771,874
Furniture & Equipment	73,647
Vehicles and Equipment	<u>53,001</u>
Total	<u>\$ 898,522</u>

More detailed information about the District's capital assets is presented in Note 6 to the financial statements.

Debt

District obligations include accrued compensated absences, the pension liability under GASB 68, and the OPEB liability under GASB 75. More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2021-2022 budget and the 2021 tax rates.

- Appraised tax valuation for 2021 used for the 2021-2022 budget preparation reflects a decrease in property tax values from \$54,640,329 to \$54,229,985. This is a decrease in property value of \$410,344. The Maintenance and Operation rate of \$.9634 is also a decrease from \$.9664 in 2020-2021. The District will experience a decrease in local Maintenance and Operating property tax revenue of \$3,953 ($410,344 / 100 \times 0.9634$).

These indicators were taken into account when adopting the General Fund budget for 2021-2022. Amounts available for appropriation in the General Fund Budget for 2021-2022 are \$5,401,542, which represents a 2% decrease as compared to the final 2020-21 budgeted revenues of \$5,523,082.

The tax rate will decrease to \$0.9634 per \$100 valuation for Maintenance and Operations, as compared to last year's rate of \$0.9664. This reflects a decrease of \$0.0030 per \$100 valuation.

If the budgeted revenue and expenditures are realized, the General Fund balance of \$3,581,499 will be reduced by \$283,312 at the end of the 2021-2022 school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Department, at Morton Independent School District, 500 Champion Drive, Morton, Texas, 79346.

GOVERNMENT-WIDE STATEMENTS

MORTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2021

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 3,590,705
1225 Property Taxes Receivable, Net	61,968
1240 Due from Other Governments	278,409
1290 Other Receivables, Net	1,023
Capital Assets:	
1510 Land	30,667
1520 Buildings, Net	756,242
1530 Furniture and Equipment, Net	710,970
1540 Vehicles, Net	127,268
1580 Construction in Progress	915,037
1000 Total Assets	<u>6,472,289</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	804,126
1706 Deferred Outflow Related to TRS OPEB	1,204,034
1700 Total Deferred Outflows of Resources	<u>2,008,160</u>
LIABILITIES	
2110 Accounts Payable	24,217
2160 Accrued Wages Payable	129,004
2200 Accrued Expenses	4,715
2300 Unearned Revenue	130,702
Noncurrent Liabilities:	
Due in More than One Year:	
2502 Due in More Than One Year	39,566
2540 Net Pension Liability (District's Share)	1,674,227
2545 Net OPEB Liability (District's Share)	2,147,073
2000 Total Liabilities	<u>4,149,504</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	263,168
2606 Deferred Inflow Related to TRS OPEB	1,572,251
2600 Total Deferred Inflows of Resources	<u>1,835,419</u>
NET POSITION	
3200 Net Investment in Capital Assets	2,540,184
3900 Unrestricted	(44,658)
3000 Total Net Position	<u>\$ 2,495,526</u>

The notes to the financial statements are an integral part of this statement.

MORTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for Services	Operating Grants and Contributions	6 Primary Gov. Governmental Activities
	Expenses			
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 3,752,817	\$ -	\$ 476,310	\$ (3,276,507)
12 Instructional Resources and Media Services	32,163	-	-	(32,163)
13 Curriculum and Instructional Staff Development	6,218	-	-	(6,218)
21 Instructional Leadership	16,178	-	13,857	(2,321)
23 School Leadership	558,587	-	-	(558,587)
31 Guidance, Counseling, and Evaluation Services	136,622	-	-	(136,622)
33 Health Services	75,191	-	-	(75,191)
34 Student (Pupil) Transportation	91,583	-	-	(91,583)
35 Food Services	297,177	18,742	308,424	29,989
36 Extracurricular Activities	310,542	14,629	-	(295,913)
41 General Administration	390,701	-	-	(390,701)
51 Facilities Maintenance and Operations	595,109	-	-	(595,109)
52 Security and Monitoring Services	6,049	-	-	(6,049)
53 Data Processing Services	224,683	-	-	(224,683)
81 Capital Outlay	-	-	52,873	52,873
93 Payments Related to Shared Services Arrangements	67,687	-	-	(67,687)
99 Other Intergovernmental Charges	11,113	-	-	(11,113)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 6,572,420	\$ 33,371	\$ 851,464	(5,687,585)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			438,782
GC	Grants and Contributions not Restricted			4,338,428
IE	Investment Earnings			28,758
MI	Miscellaneous Local and Intermediate Revenue			318,530
TR	Total General Revenues			5,124,498
CN	Change in Net Position			(563,087)
NB	Net Position - Beginning			3,058,613
NE	Net Position - Ending			\$ 2,495,526

The notes to the financial statements are an integral part of this statement.

**GOVERNMENTAL FUND FINANCIAL
STATEMENTS**

MORTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes	10 General Fund	429 Summer Career Tech Educ.	459 Pep Alternati School
ASSETS			
1110 Cash and Cash Equivalents	\$ 3,460,842	\$ -	\$ 127,902
1220 Property Taxes - Delinquent	62,593	-	-
1230 Allowance for Uncollectible Taxes	(57,490)	-	-
1240 Due from Other Governments	33,383	81,045	-
1260 Due from Other Funds	313,571	-	18,874
1290 Other Receivables	1,023	-	-
1000 Total Assets	<u>\$ 3,813,922</u>	<u>\$ 81,045</u>	<u>\$ 146,776</u>
LIABILITIES			
2110 Accounts Payable	\$ 24,217	\$ -	\$ -
2160 Accrued Wages Payable	106,269	-	-
2170 Due to Other Funds	94,633	81,045	18,035
2200 Accrued Expenditures	2,201	-	-
2300 Unearned Revenue	-	-	128,741
2000 Total Liabilities	<u>227,320</u>	<u>81,045</u>	<u>146,776</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	5,103	-	-
2600 Total Deferred Inflows of Resources	<u>5,103</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Committed Fund Balance:			
3510 Construction	2,300,000	-	-
3530 Capital Expenditures for Equipment	500,000	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	200,000	-	-
3600 Unassigned Fund Balance	581,499	-	-
3000 Total Fund Balances	<u>3,581,499</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,813,922</u>	<u>\$ 81,045</u>	<u>\$ 146,776</u>

The notes to the financial statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 1,961	\$ 3,590,705
-	62,593
-	(57,490)
163,981	278,409
1,955	334,400
-	1,023
<u>\$ 167,897</u>	<u>\$ 4,209,640</u>
\$ -	\$ 24,217
22,735	129,004
140,687	334,400
2,514	4,715
1,961	130,702
<u>167,897</u>	<u>623,038</u>
-	5,103
-	5,103
-	2,300,000
-	500,000
-	200,000
-	581,499
-	3,581,499
<u>\$ 167,897</u>	<u>\$ 4,209,640</u>

MORTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2021

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 3,581,499
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$11,928,428 and the accumulated depreciation was (\$9,897,609). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.	2,007,818
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays and debt principal payments is to decrease net position.	881,957
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$4,229,077, a Deferred Resource Inflow in the amount of \$1,690,360 and a net pension liability in the amount of \$8,842,916. The impact of this on Net Position is (\$6,304,199).	(1,133,269)
4 The District participates in the TRS-Care plan for retirees through TRS. The District's share of the TRS plan resulted in a net OPEB liability of \$2,147,073, a deferred outflow of \$1,203,990 and a deferred inflow of \$1,572,207. This resulted in a difference between the ending fund balance and the ending net position of (\$2,147,073).	(2,515,290)
5 The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(389,157)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and recognizing the liabilities associated with maturing long-term debt. The net effect of these reclassifications and recognitions is to increase net position.	61,968
19 Net Position of Governmental Activities	\$ 2,495,526

The notes to the financial statements are an integral part of this statement.

MORTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	10 General Fund	429 Summer Career Tech Educ.	459 Pep Alternati School
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 907,801	\$ -	\$ 3,696
5800 State Program Revenues	4,234,762	103,384	-
5900 Federal Program Revenues	353,175	-	-
5020 Total Revenues	5,495,738	103,384	3,696
EXPENDITURES:			
Current:			
0011 Instruction	2,829,102	103,384	1,434
0012 Instructional Resources and Media Services	28,805	-	-
0013 Curriculum and Instructional Staff Development	6,218	-	-
0021 Instructional Leadership	-	-	-
0023 School Leadership	493,579	-	-
0031 Guidance, Counseling, and Evaluation Services	122,195	-	-
0033 Health Services	66,545	-	-
0034 Student (Pupil) Transportation	112,053	-	-
0035 Food Services	322,820	-	-
0036 Extracurricular Activities	314,868	-	-
0041 General Administration	355,753	-	690
0051 Facilities Maintenance and Operations	586,431	-	1,572
0052 Security and Monitoring Services	5,567	-	-
0053 Data Processing Services	189,619	-	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	719,001	-	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	67,687	-	-
0099 Other Intergovernmental Charges	11,113	-	-
6030 Total Expenditures	6,231,356	103,384	3,696
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(735,618)	-	-
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	54,180	-	-
8911 Transfers Out (Use)	(59,744)	-	-
7080 Total Other Financing Sources (Uses)	(5,564)	-	-
1200 Net Change in Fund Balances	(741,182)	-	-
0100 Fund Balance - September 1 (Beginning)	4,322,681	-	-
3000 Fund Balance - August 31 (Ending)	\$ 3,581,499	\$ -	\$ -

The notes to the financial statements are an integral part of this statement.

		Total	
Other		Governmental	
Funds		Funds	
\$	1,924	\$	913,421
	6,097		4,344,243
	440,954		794,129
	448,975		6,051,793
	372,926		3,306,846
	-		28,805
	-		6,218
	13,857		13,857
	-		493,579
	-		122,195
	-		66,545
	-		112,053
	12,959		335,779
	1,924		316,792
	-		356,443
	-		588,003
	-		5,567
	-		189,619
	52,873		771,874
	-		67,687
	-		11,113
	454,539		6,792,975
	(5,564)		(741,182)
	5,564		59,744
	-		(59,744)
	5,564		-
	-		(741,182)
	-		4,322,681
\$	-	\$	3,581,499

MORTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (741,182)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2021 capital outlays and debt principal payments is to decrease net position.	881,957
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(389,157)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the liabilities associated with maturing long-term debt. The net effect of these reclassifications and recognitions is to decrease net position.	(93,980)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resources outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$127,094. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling (\$129,301). Finally, the proportionate share of the TRS pension on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by (\$169,108). The net result is a decrease in the change in net position.	(171,315)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resources outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$42,509. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling (\$42,970). Finally, the proportionate share of the TRS OPEB on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by (\$48,949). The net result is a decrease in the change in net position.	(49,410)
Change in Net Position of Governmental Activities	\$ (563,087)

The notes to the financial statements are an integral part of this statement.

Fiduciary Fund Financial Statements

MORTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2021

	Private Purpose Trust Funds	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ 157,540	\$ 82,609
Other Receivables	2,200	251
Total Assets	<u>159,740</u>	<u>\$ 82,860</u>
NET POSITION		
Held in Trust	159,740	-
Restricted for Campus Activities	<u>-</u>	<u>82,860</u>
Total Net Position	<u>\$ 159,740</u>	<u>\$ 82,860</u>

The notes to the financial statements are an integral part of this statement.

MORTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

	Private Purpose Trust Funds	Custodial Fund
ADDITIONS:		
Gifts & Contributions	\$ -	\$ 90,976
Contributions, Gifts and Donations	2,200	-
Total Additions	<u>2,200</u>	<u>90,976</u>
DEDUCTIONS:		
Supplies and Materials	-	92,465
Scholarship Awards	5,901	-
Total Deductions	<u>5,901</u>	<u>92,465</u>
Change in Fiduciary Net Position	(3,701)	(1,489)
 Total Net Position - September 1 (Beginning)	 163,441	 -
Prior Period Adjustment	<u>-</u>	<u>84,349</u>
Total Net Position - August 31 (Ending)	<u>\$ 159,740</u>	<u>\$ 82,860</u>

The notes to the financial statements are an integral part of this statement.

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Morton Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

This report includes those activities, organizations and functions which are related to Morton Independent School District and which are controlled by or dependent upon the District's governing body, the Board of School Trustees. The Board is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. Because members of the Board of Trustees are elected by the public and appointed; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board ("GASB"), Statement No. 61, *The Financial Reporting Entity: Omnibus*.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

The accounting policies of the District substantially comply with the rules prescribed by the Texas Education Agency's *Financial Accountability System Resource Guide*. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont.)

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include member district payments for special education, school lunch charges, athletic events, facilities rent, etc.

The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the No Child Left Behind Act. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities within governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. All interfund transactions between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Net Position.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column for each major fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations. Operating expenses can be tied specifically to the production of the goods and services. All other revenues and expenses are non-operating.

C. BASIS OF ACCOUNTING, FINANCIAL STATEMENT PRESENTATION AND MEASUREMENT FOCUS

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available. And it recognizes expenditures in the accounting period in which the fund liability is incurred. If measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 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, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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.

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. BASIS OF ACCOUNTING, FINANCIAL STATEMENT PRESENTATION AND MEASUREMENT FOCUS (Cont.)

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. This measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The proprietary fund types and fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

D. BASIS OF PRESENTATION - FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** – This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Summer Career Tech Educational** – The District receives State funds to improve technology.
3. **Pep Alternative Program** – The District is the fiscal agent for the Shared Service Arrangement which provides for efficiency delivery of an alternative high school and related services.

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. BASIS OF PRESENTATION - FUND ACCOUNTING (Cont.)

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in special revenue funds. Most federal and some state financial assistance is accounted for in special revenue funds and sometimes unused balances must be returned to the grantor at the close of specified project periods. The District has twenty-five (25) special revenue funds.

Proprietary Funds:

2. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in internal service funds. The District's internal service fund previously accounted for insurance premium transactions but the fund is currently inactive and maintains a minimal cash balance.

Fiduciary Funds:

3. **Fiduciary Funds** – The District accounts for resources held for others in a custodial capacity in a fiduciary fund. The District's fiduciary fund is: Student Activity Funds.

E. PENSIONS

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

F. 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.

F. DEFERRED OUTFLOWS/INFLOWS

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has the following items that qualify for reporting in that category:

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

F. DEFERRED OUTFLOWS/INFLOWS (Cont.)

- Deferred outflow related to pensions and other post pension liability, which result from pension contributions after the measurement date (deferred and recognized in the following fiscal year) and differences in projected and actual earnings on pension liabilities.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting on the government-wide statement of net position.

- Deferred inflow related to pensions and other post pension liability, which result from differences in projected and actual earnings on pension liabilities.
- Deferred inflow related to refunding of bond, which result from differences in amount to pay off bond and issuing new bond.

Additionally, the District has one more type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported on in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

G. OTHER ACCOUNTING POLICIES

1. **Cash Equivalents** - For purposes of the statement of cash flows for proprietary funds and similar fund types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. **Consumable Materials and Supplies** - The District reports disbursements for the purchase of consumable materials and supplies as expenditures. Inventories of such items, therefore, are not included in the balance sheet. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services, and they are recorded as expenditures, when received, and revenue is recognized for an equal amount. Any food commodities on hand at year-end are recorded as inventory and a reserve for investment in inventories is recorded in fund balance.
3. **Compensated Absences** - It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
4. **Capital Assets** - Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Land is always capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. OTHER ACCOUNTING POLICIES (Cont.)

4. **Capital Assets (Cont.)** - Buildings, furniture, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	20
Vehicles	2-15
Computer Equipment	3-15
Office Equipment	3-15

5. **Encumbrance Accounting** - The District employs encumbrance accounting for goods or purchased services documented by purchase orders and contracts. An encumbrance represents an appropriation related to unperformed contracts for goods and services but does not represent expenditures for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at the fiscal year end.
6. **Due From (To) Other Funds** - Interfund receivables and payables arise from interfund transactions and are recorded in the affected funds in the period in which the transactions are executed. Interfund transfers are either short term loans or permanent transfers to cover excess expenditures.
7. **Fund Equity** - In the fund financial statements, Fund Balance is classified depending on the relative strength of the spending constraints placed on the purpose for which resources can be used as follows:

Nonspendable Fund Balance – These are amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted Fund Balance – These are amounts constrained to specific purposes externally imposed by creditors (such as through debt covenants), grantors, and contributors, or laws, or regulations of other governments, or through constitutional provisions, or by enabling legislation.

Committed Fund Balance – These are amounts that can only be used for specific purposes, pursuant to constraints imposed by formal action of the government's highest level of decision making authority. In the case of the District it is the Board of Trustees.

Assigned Fund Balance – These are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. These amounts can be set aside by designated management employees of the school district.

Unassigned Fund Balance – These are amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. In other governmental funds, it may be necessary to report a negative residual balance as unassigned.

8. **Data Control Codes** - The Data Control Codes refer to the account code structure prescribed by Texas Education Agency in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. OTHER ACCOUNTING POLICIES (Cont.)

9. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. IMPLEMENTATION OF NEW STANDARDS

GASB Statement No. 84, Fiduciary Activities ("GASB 84"), establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The required changes due to the implementation of GASB 84 are reflected in the County's financial statements and notes to those statements. As this statement was implemented retroactively it resulted in a restatement of the prior period net position of Fiduciary Activities and restatement of assets and liabilities in Governmental Activities both are as follows:

Net Position at August 31, 2020, as previously reported	\$ -
Addition of Net Position as calculated pursuant to GASB 84	<u>84,349</u>
Net Position August 31, 2021, as restated	<u>\$ 84,349</u>

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the major funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears in Exhibit G-1 and the other budget reports are in Exhibits J-2 and J-3

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to August 31, the District prepares a budget for the succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level 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. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 3. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits – State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent.

The District was in substantial compliance with state law regarding proper collateralization of its deposits, and subsequently was not exposed to custodial credit risk during the year. The District has cash balance of \$3,590,705 and was properly collateralized at year end.

Compliance with the Public Funds Investment Act

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity 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, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers acceptances; (7) mutual funds; (8) investment pools; (9) guaranteed investment contracts; (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act.

Morton Independent School District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing deposits and investments for the District are specified below:

Credit Risk – To limit the risk that an issuer or other counter-party to an investment will not fulfill its obligations, the District limits investments in commercial paper, corporate bonds, and mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs).

Custodial Credit Risk for Investments – To limit the risk that, in the event of the failure of the counter-party to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counter-parties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions.

Concentration of Credit Risk – To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments in a single issuer to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk – To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires the investment portfolio to have maturities of one year or less.

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 3. DEPOSITS AND INVESTMENTS (Cont.)

Foreign Currency Risk for Investments – The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by limiting all investments denominated in a foreign currency to less than 5% of all investments.

NOTE 4. INTERGOVERNMENTAL BALANCES

Due From Other Governments - The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2021, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments. The Head Start federal grant receivable of approximately \$19,009 is passed through South Plains Community Action Association, Inc. and is reported as Other Receivables.

	State and Local Governments	Total
General Fund	\$ 33,383	\$ 33,383
Special Revenue Funds	<u>245,026</u>	<u>245,026</u>
Total	<u>\$ 278,409</u>	<u>\$ 278,409</u>

NOTE 5. INTERFUND BALANCES AND TRANSFERS

Interfund transfers are used to provide temporary loans to cover cash overdrafts and adjust fund balance to zero while interfund transfers during the year were used to fund operations, bring fund balances to zero or to adjust cash in the respective fund type.

Interfund transfers and balances at August 31, 2021, consisted of the following amounts:

Due To	General Fund	Special Revenue Funds	Totals
General Fund	\$ 72,938	\$ 240,632	\$ 313,570
Special Revenue Fund	<u>-</u>	<u>20,830</u>	<u>20,830</u>
Totals	<u>\$ 72,938</u>	<u>\$ 261,462</u>	<u>\$ 334,400</u>

Transfers To	General Fund	Special Revenue Fund	Totals
General Fund	\$ 54,180	\$ 5,564	\$ 59,744

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 6. CAPITAL ASSET ACTIVITY

Capital asset activity for the District's governmental activities for the year ended August 31, 2021, is detailed below. The District did not have any capital assets in the business-type activities.

	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
Governmental Activities:				
Land	\$ 30,667	\$ -	\$ -	\$ 30,667
Construction in Progress	143,163	771,874	-	915,037
Buildings and Improvements	8,614,801	-	-	8,614,801
Furniture and Equipment	2,289,037	73,647	-	2,362,684
Vehicles	850,759	53,001	-	903,760
Totals at Historic Cost	<u>\$ 11,928,427</u>	<u>\$ 898,522</u>	<u>\$ -</u>	<u>\$ 12,826,949</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ (7,778,764)	\$ (79,795)	\$ -	\$ (7,858,559)
Furniture and Equipment	(1,390,492)	(261,222)	-	(1,651,714)
Vehicles	(728,352)	(48,140)	-	(776,492)
Total Accumulated Depreciation	<u>\$ (9,897,608)</u>	<u>\$ (389,157)</u>	<u>\$ -</u>	<u>\$ (10,286,765)</u>
Governmental Activities Capital Assets	<u>\$ 2,030,819</u>	<u>\$ 509,365</u>	<u>\$ -</u>	<u>\$ 2,540,184</u>

Depreciation expense was charged to the governmental functions as disclosed below:

Function	Amount
Instruction	\$ 250,862
Instructional Resources and Media Services	2,214
Instructional Leadership	430
School Leadership	42,176
Guidance, Counseling and Evaluation Services	10,576
Health Services	5,597
Student (Pupil) Transportation	4,048
Food Services	3,064
Curricular/Extracurricular Activities	12,477
General Administration	21,407
Plant Maintenance and Operations	21,186
Security and Monitoring Service	341
Data Processing Services	14,779
Total Depreciation Expense	<u>\$ 389,157</u>

NOTE 7. LONG-TERM OBLIGATIONS

Compensated Absences - Upon retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in a lump cash payment to such employee or his/her estate. The disclosed additions and deductions are computed based on \$50 per day for professional sick leave and \$25 per day for paraprofessional sick leave. A summary of changes in the accumulated vacation leave liability is included in the detail below and the full balance is considered long-term on the Statement of Net Position.

Long-term debt obligation activity for the District's governmental activities for the year ended August 31, 2021, is detailed below. There are no long-term obligations in the business-type activities.

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 7. LONG-TERM OBLIGATIONS (Cont.)

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Pension Liability - TRS	\$ 1,431,937	371,270	(128,980)	1,674,227
Pension OPEB - TRS	2,290,518	-	(143,445)	2,147,073
Compensated Absences	<u>23,001</u>	<u>21,567</u>	<u>(5,002)</u>	<u>39,566</u>
Total Governmental Activities	<u>\$ 3,745,456</u>	<u>\$ 392,837</u>	<u>\$ (277,427)</u>	<u>\$ 3,860,866</u>

No amounts are due within a year.

NOTE 8. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (non-capitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2021, as follows:

Year Ending August 31,	
2022	\$ 4,020
Total	<u>\$ 4,020</u>
Rental Expenditures in Fiscal Year 2021	<u>\$ 15,229</u>

NOTE 9. SHARED SERVICE ARRANGEMENTS

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides educational services for handicapped and permanently impaired students. In addition to the District, other member districts include those listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund No. 437, Shared Services Arrangements - Special Education. The District discontinued its SSA for the Pep Alternative school.

Shared Services Arrangement – Membership

The District Participates in a shared service arrangement ("SSA") for a Special Education program with the following districts:

Anton ISD	Ropes ISD	Sundown ISD
Levelland ISD	Smyer ISD	Whiteface ISD
Meadow ISD	Morton ISD	Whitharal ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial Statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Levelland ISD, nor does the District have a net 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 District. The fiscal agent manager is responsible for all financial activities of the SSA.

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 10. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the District's fiscal year.

Delinquent Taxes Receivable - Delinquent taxes are prorated between maintenance based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General Fund are based on 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.

NOTE 11. DEFINED BENEFIT PENSION PLAN

Plan Description – Morton Independent School District participates in a cost-sharing multiple employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 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 work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position – Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf>, by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698, or by calling (512)542-6592.

Benefits Provided – TRS provides services 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. 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 grandfathered in under a previous rule.

There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature, as noted in the plan description above.

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN (Cont.)

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

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.

Employee contribution rates are set in State statute, Texas Government Code Section 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code Section 825.402 for member contributions and established employee contribution rates for fiscal years 2014-2017.

The 86th Texas Legislature General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2019 and 2020. The 87th Texas Legislature General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2021 and 2022.

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
Current fiscal year Employer Contributions	\$ 127,094	
Current fiscal year Member Contributions	\$ 271,801	
2020 NECE On-Behalf Contributions	\$ 215,677	

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

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN (Cont.)

Contributions (Cont.)

- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.
- In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.
- When employee a retiree of the Teacher Retirement System the employer shall pay for both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal-Old Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

Actuarial Assumptions – A change was made in the measurement date of the total pension liability for the 2020 measurement year. The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2020:

Valuation Date	August 31, 2019, rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Investment Rate of Return*	7.25%
Municipal Bond Rate as of August 2020	2.33%. 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."
Last year ending August 31 in Projection Period (100 years)	2119
Inflation	2.30%
Salary Increases*	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

Changes of Assumptions Since the Prior Measurement Date

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

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

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN (Cont.)

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

The long-term rate of return on pension plan investments is 7.25%. 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 expenses 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 systems target asset allocation as of August 31, 2020 (see page 59 of the TRS CAFR) are summarized below:

Asset Class	FY 2020 Target Allocation¹	Long-Term Expected Geometric Real²	Expected Contribution to Long Term Portfolio Returns³
Global Equity			
U.S.	18.0%	3.9%	0.99%
Non-U.S. Developed	13.0%	5.1%	0.92%
Emerging Markets	9.0%	5.6%	0.83%
Directional Hedge Funds	0.0%	0.0%	0.00%
Private Equity	14.0%	6.7%	1.41%
Stable Value			
U.S. Treasuries****	16.0%	(0.7)%	(0.05)%
Stable Value Hedge Funds	5.0%	1.9%	0.11%
Absolute Return (including Credit Sensitive Investments)	0.0%	1.8%	0.00%
Real Return			
Global Inflation Linked Bonds****	0.0%	0.0%	0.0%
Real Estate	15.0%	4.6%	1.02%
Energy, Natural Resources, and Infrastructure	6.0%	6.0%	0.42%
Commodities	0.0%	0.8%	0.00%
Risk Parity			
Risk Parity	8.0%	3.0%	0.30%
Asset Allocation Leverage Cash	2.0%	(1.5)%	(0.03)%
Asset Allocation Leverage	(6.0)%	(1.3)%	0.08%
Inflation Expectation			2.00%
Volatility Drag ³			(0.67)%
Total	<u>100.0%</u>		<u>7.33%</u>

¹ Target allocations are based on the FY2020 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).

³ The volatility drag results from the conversion between arithmetic and geometric mean returns.

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN (Cont.)

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring 2020 Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Proportionate Share of the Net Pension Liability	\$ 2,581,628	\$ 1,674,277	\$ 936,983

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources / Deferred Inflow of Resources Related to Pensions – At August 31, 2021, the District reported a liability of \$1,674,227 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1,674,227
State's proportionate share that is associated with the District	\$ 2,799,600
Total	<u>\$ 4,473,827</u>

The net pension liability was measured as of August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

At August 31, 2020, the employer's proportion of the collective net pension liability was 0.00312260094%, which was a decrease of 0.0003713900% from its proportion measured as of August 31, 2019.

Changes Since the Prior Actuarial Valuation – There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

For the year ended August 31, 2021, the District recognized pension expense of \$635,139 and revenue of \$336,730 for support provided by the State.

At August 31, 2021, the District reported its proportionate share of the TRS's 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 economic experiences	\$ 3,057	\$ 46,723
Changes in actuarial assumptions	388,480	165,179
Differences between projected and actual investment earnings	33,894	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>251,645</u>	<u>51,310</u>
Total as of August 31, 2020 measurement date	\$ 677,076	\$ 263,212
Contributions paid to TRS subsequent to the measurement date	<u>127,094</u>	<u>-</u>
Total as fiscal year-end	<u>\$ 804,170</u>	<u>\$ 263,212</u>

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

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN (Cont.)

Year Ended August 31,	Pension Expense Amount
2022	\$ 99,861
2023	\$ 109,609
2024	\$ 112,957
2025	\$ 69,004
2026	\$ 15,163
Thereafter	<u>\$ 7,270</u>
Total	<u>\$ 413,864</u>

NOTE 12. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

Plan Description - The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It's a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position - Detail information about TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by visiting the TRS website at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-512-542-6592.

Benefits Provided - TRS-Care provides a basic health insurance coverage to retirees from public schools, 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. 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. There are no automatic postemployment benefit changes; including automatic COLAs.

The premium rates for retirees are presented in the following table:

TRS-Care Plan Premiums Rates

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999
*or surviving spouse		

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.

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 12. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (CONT.)

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of 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. The actual employer contribution rate, which is 0.75% of each active employee's pay for fiscal year 2020, is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>		
	<u>2020</u>	<u>2021</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions	\$ 42,509	
Current fiscal year member contributions	\$ 22,944	
2020 measurement year NECE on-behalf contributions	\$ 57,685	

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree, when the retiree is enrolled. TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$2,208,137 million in fiscal year 2020.

Actuarial Assumptions – The total OPEB liability in the August 31, 2019 actuarial valuation was rolled forward to August 31, 2020. The actuarial valuation was determined by actuarial assumptions. The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Salary Increases
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020.
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Election Rates	Normal retirement: 65% participation prior to age 65 and 40% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 12. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (CONT.)

Discount Rate – A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decreased of .30 percent in the discount rate since the previous year. The Discount rate can be found in the 2020 TRS CAFR on page 76. 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 applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (1.33%)	Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
Proportionate Share of the Net OPEB Liability	\$ 2,576,482	\$ 2,147,073	\$ 1,807,901

Healthcare Costs Trend Rates Sensitivity Analysis – The following schedule shows the impact of the net OPEB liability the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed health care trend rate.

	1% Decrease	Current Healthcare Cost Trend rate	1% Increase
Proportionate Share of the Net OPEB Liability	\$ 1,753,883	\$ 2,147,073	\$ 2,670,745

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources / Deferred Inflow of Resources Related to Pensions – At August 31, 2021, the District reported a liability of \$2,147,073 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	\$ 2,147,073
State’s proportionate share that is associated with the District	<u>\$ 2,885,151</u>
Total	<u>\$ 5,032,224</u>

The net OPEB liability was measured as of August 31, 2020 and the Total OPEB Liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net OPEB liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2020 the employer’s proportion of the collective Net OPEB Liability was 0.0056480334%, which was a decrease of 0.0008045958% from its proportion measured as of August 31, 2019.

For the year ended August 31, 2021, the District recognized OPEB expense of \$71,886 and revenue of \$(20,033) for support provided by the State.

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 12. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (CONT.)

At August 31, 2021, the District reports its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 112,420	\$ 982,610
Changes in actuarial assumptions	132,430	589,597
Differences between projected and actual investment earnings	698	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>915,933</u>	<u>-</u>
Total as of August 31, 2020 measurement date	\$ 1,161,481	\$ 1,572,207
Contributions paid to TRS subsequent to the measurement date	<u>42,509</u>	<u>-</u>
Total as fiscal year-end	<u>\$ 1,203,990</u>	<u>\$ 1,572,207</u>

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

Year Ended August 31,	Pension Expense Amount
2022	\$ (99,043)
2023	\$ (99,136)
2024	\$ (99,189)
2025	\$ (99,175)
2026	\$ (41,826)
Thereafter	<u>\$ 27,643</u>
Total	<u>\$ (410,726)</u>

NOTE 13. OTHER REQUIRED DISCLOSURES

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 collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Litigation - No reportable litigation against the District at August 31, 2021.

Subsequent Events - FASB ASC 855-10-50-1 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or available to be issued. Management has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.

Related Party Transactions - No related party transactions were noted for disclosure during the fiscal year.

Risk Management - The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the District purchased TASB Risk management.

Auto, Liability, and/or Property Programs

MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 13. OTHER REQUIRED DISCLOSURES (Cont.)

During the year ended August 31, 2021, Morton ISD participated in the following Risk Management Fund (the fund) programs:

- Auto Liability
- Auto Physical Damage
- Legal Liability
- Privacy and Information Security
- Property

The Fund was created and operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability, and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves.

Unemployment Compensation Pool

The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and chapter 172 of the Texas Local Government Code.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment compensation pool.

For the year ended August 31, 2021, the Fund anticipates that Morton ISD has no additional liability beyond contractual obligations for payments of contributions.

The fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The fund's audited financial statements as of August 31, 2021 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

REQUIRED SUPPLEMENTARY INFORMATION

MORTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 825,653	\$ 895,653	\$ 907,801	\$ 12,148
5800 State Program Revenues	4,356,924	4,431,924	4,234,762	(197,162)
5900 Federal Program Revenues	340,505	385,505	353,175	(32,330)
5020 Total Revenues	5,523,082	5,713,082	5,495,738	(217,344)
EXPENDITURES:				
Current:				
0011 Instruction	2,893,332	2,897,121	2,829,102	68,019
0012 Instructional Resources and Media Services	30,456	30,456	28,805	1,651
0013 Curriculum and Instructional Staff Development	9,250	9,250	6,218	3,032
0023 School Leadership	562,546	560,620	493,579	67,041
0031 Guidance, Counseling, and Evaluation Services	114,536	127,536	122,195	5,341
0033 Health Services	76,126	76,126	66,545	9,581
0034 Student (Pupil) Transportation	140,322	140,322	112,053	28,269
0035 Food Services	388,720	403,920	322,820	81,100
0036 Extracurricular Activities	328,816	328,816	314,868	13,948
0041 General Administration	354,259	369,396	355,753	13,643
0051 Facilities Maintenance and Operations	662,232	680,232	586,431	93,801
0052 Security and Monitoring Services	8,450	10,450	5,567	4,883
0053 Data Processing Services	195,457	195,457	189,619	5,838
Capital Outlay:				
0081 Facilities Acquisition and Construction	30,000	830,000	719,001	110,999
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	68,050	68,050	67,687	363
0099 Other Intergovernmental Charges	10,000	12,000	11,113	887
6030 Total Expenditures	5,872,552	6,739,752	6,231,356	508,396
1100 Excess (Deficiency) of Revenues Over Expenditures	(349,470)	(1,026,670)	(735,618)	291,052
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	54,200	54,180	(20)
8911 Transfers Out (Use)	-	(54,200)	(59,744)	(5,544)
7080 Total Other Financing Sources (Uses)	-	-	(5,564)	(5,564)
1200 Net Change in Fund Balances	(349,470)	(1,026,670)	(741,182)	285,488
0100 Fund Balance - September 1 (Beginning)	4,322,681	4,322,681	4,322,681	-
3000 Fund Balance - August 31 (Ending)	\$ 3,973,211	\$ 3,296,011	\$ 3,581,499	\$ 285,488

MORTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2021

	Measurement Year Ended August 31,					
	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.0031260094%	0.0027546194%	0.0024901840%	0.0024737168%	0.0027896423%	0.0030230000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,674,227	\$ 1,431,937	\$ 1,370,658	\$ 790,961	\$ 1,054,164	\$ 1,068,590
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	2,799,600	2,480,819	2,638,790	1,756,122	2,214,937	2,362,943
Total	\$ 4,473,827	\$ 3,912,756	\$ 4,009,448	\$ 2,547,083	\$ 3,269,101	\$ 3,431,533
District's Covered Payroll	\$ 3,707,410	\$ 3,135,068	\$ 3,041,024	\$ 3,182,556	\$ 3,341,299	\$ 3,504,054
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	45.16%	45.67%	45.07%	24.85%	31.55%	30.50%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%
						83.25%

Note: Only seven years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

MORTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2021

	Fiscal Year Ended August 31,					
	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 127,094	\$ 129,301	\$ 96,024	\$ 82,498	\$ 81,416	\$ 88,634
Contribution in Relation to the Contractually Required Contribution	(127,094)	(129,301)	(96,024)	(82,498)	(81,416)	(88,634)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 3,529,882	\$ 3,707,410	\$ 3,135,068	\$ 3,041,024	\$ 3,182,556	\$ 3,341,299
Contributions as a percentage of Covered Payroll	3.60%	3.49%	3.06%	2.71%	2.56%	2.65%
						3.19%

Note: Only seven years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

MORTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2021

	Measurement Year Ended August 31,			
	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0056480334%	0.0048434376%	0.0039077660%	0.0038765064%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 2,147,073	\$ 2,290,518	\$ 1,951,183	\$ 1,685,747
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	2,885,151	3,043,590	2,507,809	2,427,086
Total	\$ 5,032,224	\$ 5,334,108	\$ 4,458,992	\$ 4,112,833
District's Covered Payroll	\$ 3,439,410	\$ 3,135,068	\$ 3,041,024	\$ 3,182,556
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	62.43%	73.06%	64.16%	52.97%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	0.91%

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

EXHIBIT G-5

MORTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2021

	Fiscal Year Ended August 31,		
	2021	2020	2019
Contractually Required Contribution	\$ 42,509	\$ 42,970	\$ 35,445
Contribution in Relation to the Contractually Required Contribution	(42,509)	(42,970)	(35,445)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 3,529,882	\$ 3,707,410	\$ 3,135,068
Contributions as a percentage of Covered Payroll	1.20%	1.16%	1.13%
			0.83%

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

TEA REQUIRED SCHEDULES

MORTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2021

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2012 and prior years	Various	Various	\$ Various
2013	1.040000	0.00000	63,767,516
2014	1.040000	0.00000	64,504,095
2015	1.040000	0.00000	63,362,107
2016	1.040000	0.00000	58,257,126
2017	1.040000	0.00000	53,495,702
2018	1.040000	0.00000	53,372,672
2019	1.040000	0.00000	53,176,800
2020	0.970000	0.00000	56,241,878
2021 (School year under audit)	0.966400	0.00000	54,640,329
1000 TOTALS			

EXHIBIT J-1

(10) Beginning Balance 9/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2021
\$ 14,439	\$ -	\$ 274	\$ -	\$ (317)	\$ 13,848
1,333	-	56	-	(25)	1,252
946	-	110	-	(28)	808
2,660	-	541	-	(42)	2,077
3,978	-	865	-	20	3,133
5,841	-	1,751	-	38	4,128
7,730	-	2,705	-	169	5,194
13,680	-	5,525	-	(1,259)	6,896
23,092	-	10,997	-	(2,504)	9,591
-	526,826	496,763	-	(14,397)	15,666
<u>\$ 73,699</u>	<u>\$ 526,826</u>	<u>\$ 519,587</u>	<u>\$ -</u>	<u>\$ (18,345)</u>	<u>\$ 62,593</u>

MORTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - STATE FUNDED SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
5800 State Program Revenues	\$ 22,339	\$ 22,339	\$ 103,384	\$ 81,045
5020 Total Revenues	22,339	22,339	103,384	81,045
EXPENDITURES:				
Current:				
0011 Instruction	22,339	22,339	103,384	(81,045)
6030 Total Expenditures	22,339	22,339	103,384	(81,045)
1200 Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

MORTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - SSA - STATE AND LOCALLY FUNDED
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 3,696	\$ 3,696
5020 Total Revenues	-	-	3,696	3,696
EXPENDITURES:				
Current:				
0011 Instruction	-	-	1,434	(1,434)
0041 General Administration	-	-	690	(690)
0051 Facilities Maintenance and Operations	-	-	1,572	(1,572)
6030 Total Expenditures	-	-	3,696	(3,696)
1200 Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

**REPORTS ON
INTERNAL CONTROL, COMPLIANCE AND
FEDERAL AWARDS**



CMMS CPAs & Advisors PLLC - Levelland
812 9th Street
Levelland, TX 79336

It's about time.

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

To the Board of Trustees
Morton Independent School District
Morton, Texas 79346

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Morton Independent School District, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Morton Independent School District's basic financial statements, and have issued our report thereon dated January 24, 2022.

Internal Control over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Morton 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 determination of financial statement amounts. 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*.



An ATLAS Navigators LLC Firm

O: 806.894.7324
F: 806.894.8693

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.

CMMS CPAs and Advisors, PLLC

Levelland, Texas
January 24, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Morton Independent School District
Morton, Texas 79346

Report on Compliance for Each Major Federal Program

We have audited the Morton Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Morton Independent School District's major federal programs for the year ended August 31, 2021. Morton Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Morton Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Morton Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Morton Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Morton Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.



Report on Internal Control over Compliance

Management of the Morton Independent School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Morton Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Morton Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CMMS CPAs and Advisors, PLLC

Levelland, Texas
January 24, 2022

MORTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2021

I. Summary of the Auditor's Results:

1. The type of report we issued on whether the financial statements of Morton Independent School District were prepared in accordance with GAAP was an unmodified opinion.
2. With respect to internal control over financial reporting we identified no material weaknesses and no significant deficiencies.
3. We noted no noncompliance material to the financial statements.
4. With respect to internal control over major federal programs we identified no material weaknesses and we reported no significant deficiencies.
5. The type of report we issued on compliance for major programs was an unmodified opinion.
6. We disclosed no audit findings which the auditor is required to report in accordance with 2 CFR 200.516(a).
7. Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster*</u>
84.425D	COVID-19 – ESSER, School Emergency Relief
84.425D	COVID-19 – ESSER, School Emergency Relief II
84.425U	COVID-19 – ARP ESSER III
21.019	Coronavirus State and Local Fiscal Recovery Funds
10.553, 10.555, 10.559	Child Nutrition Cluster

8. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The auditee did not qualify as a low-risk auditee.

II. Findings Relating to the Financial Statements

None

III. Findings and Questioned Costs for Federal Awards

None

MORTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2021

EXHIBIT K-1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Passed through to Subrecipients	Federal Expenditures
U. S. Department Of Education				
Passed Through State Department of Education				
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20-610101040901	\$ -	\$ 169,965
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21-610101040901	-	13,329
Total CFDA Number 84.010A			-	183,294
ESEA, Title I, Part C - Migratory Children	84.011	21-615001040901	-	4,922
Total CFDA Number 84.011			-	4,922
Career and Technical - Basic Grant	84.048	20-420006040901	-	17,059
Career and Technical - Basic Grant	84.048	21-420006040901	-	5,619
Total CFDA Number 84.048			-	22,678
ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School Grant	84.358A	21-696001040901	-	19,739
Total CFDA Number 84.358A			-	19,739
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	21-694501040901	-	15,577
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	22-694501040901	-	2,870
Total CFDA Number 84.367A			-	18,447
ESEA, Title IV, Part A - Student Support	84.424A	21-680101040901	-	13,314
ESEA, Title IV, Part A - Student Support	84.424A	22-680101040901	-	1,282
Total CFDA Number 84.424			-	14,596
ESSER, School Emergency Relief	84.425D	21-696001040901	-	30,050
ARP ESSER, School Emergency Relief	84.425U	21-696001040901	-	60,641
Total CFDA Number 84.425			-	90,691
Total Passed Through State Department of Education			-	354,367
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ -	\$ 354,367

MORTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2021

EXHIBIT K-1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Passed through to Subrecipients	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>				
<u>Passed Through South Plains Community Action Association, Inc.</u>				
* 2 Head Start	93.600	21-06CH010433	\$ -	\$ 40,833
* 2 Head Start	93.600	22-06CH010433	-	39,516
Total CFDA Number 93.600			-	80,349
Total Passed Through South Plains Community Action Association, Inc.			-	80,349
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ -	\$ 80,349
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<u>Passed Through the State Department of Agriculture</u>				
* 1 School Breakfast Program	10.553	21-00592040901	\$ -	\$ 111,396
* 1 National School Lunch Program - Cash Assistance	10.555	21-00592040901	-	162,674
* 1 National School Lunch Program - Non-Cash Assistance	10.555	21-00592040901	-	20,257
Total CFDA Number 10.555			-	182,931
* 1 Summer Feeding Program - Cash Assistance	10.559	21-00592040901	-	11,659
Total Child Nutrition Cluster			-	305,986
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	305,986
<u>U.S. Department of Treasury</u>				
<u>Passed Through Texas Division of Emergency Management (TDEM)</u>				
Coronavirus State and Local Fiscal Recovery Funds	21.019	-	\$ -	\$ 24,424
Total CFDA Number 21.019			-	24,424
Total Passed Through Texas Division of Emergency Management (TDEM)			-	24,424
TOTAL U.S. DEPARTMENT OF TREASURY			\$ -	\$ 24,424
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 765,126
<u>*Cluster Programs</u>				
1 - Child Nutrition Cluster			\$ -	\$ 305,986
2 - Head Start Cluster			\$ -	\$ 80,349

**MORTON INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2021**

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal awards programs of Morton Independent School District (the District) for the year ended August 31, 2021. The District's reporting entity is defined in Note 1 - Summary of Significant Accounting Policies to the District's basic financial statements. Federal financial assistance received directly from federal agencies as well as assistance passed through other government agencies is included on the Schedule. The District did not elect to use the 10% de mini mis indirect cost rate. The District did not provide pass-through funds to subrecipients for the year ended August 31, 2021.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in Note 1 - Summary of Significant Accounting Policies to the District's basic financial statements.

NOTE 3 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal financial reports considering timing differences of cash receipts.

SCHOOLS FIRST QUESTIONNAIRE

Morton Independent School District

Fiscal Year 2021

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?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	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 in effect at the 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.	0