

**MORTON INDEPENDENT SCHOOL DISTRICT**

***ANNUAL FINANCIAL REPORT***

***YEAR ENDED AUGUST 31, 2022***

MORTON INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED AUGUST 31, 2022


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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, 2022 at a meeting of the Board of Trustees of such school district on the 19 of January, 2023.

  
\_\_\_\_\_  
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)

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## **BASIC FINANCIAL STATEMENTS**



CMMS CPAs & Advisors PLLC  
812 9<sup>th</sup> Street  
Levelland, TX 79336

It's about time.

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Morton Independent School District (the District) as of and for the year ended August 31, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

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

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

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

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

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



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considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

#### ***Supplementary 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 identify accompanying supplementary information such as 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 and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Management's Discussion and Analysis, budgetary comparison, the Schedule of Proportionate Share Net Pension Liability TRS, the Schedule of Contributions to Teacher Retirement System, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### ***Other Information***

Management is responsible for the other information included in the annual report. The introductory section, combining and individual non-major fund financial statements, 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.. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering District's internal control over financial reporting and compliance.

*EMMS CPAs and Advisors, PLLC*

Levelland, Texas  
January 19, 2023



## **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, 2022. 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 \$3,413,850. Of this amount, (\$306,633) was unrestricted net position. This negative net position was created by GASB 68 & GASB 75 implementation.
- The District's net assets increased by 918,324 or (45.9%) as a result of this year's operations. The District had income that was \$918,324 more than the \$6,578,322 spent in expenses for governmental programs. This compares to last year when expenses exceeded revenues by \$563,087.
- The General Fund ended the year with a fund balance of \$3,212,622.
- The resources available for appropriation were \$534,853 more 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 increased from \$2,495,526 to \$3,413,850. 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 (\$306,633) at August 31, 2022. 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	
	2021	2022
Assets:		
Current and other assets	\$ 3,932,105	\$ 3,425,271
Capital assets	<u>2,540,184</u>	<u>3,720,483</u>
Total Assets	<u>\$ 6,472,289</u>	<u>\$ 7,145,754</u>
Deferred Outflows:		
Deferred Outflows	<u>\$ 2,008,160</u>	<u>\$ 1,779,040</u>
Liabilities:		
Current liabilities	\$ 288,638	\$ 137,503
Other long term liabilities	39,566	49,709
Net Pension Liability	1,674,227	766,531
Net OPEB Liability	<u>2,147,073</u>	<u>2,074,417</u>
Total Liabilities	<u>\$ 4,149,504</u>	<u>\$ 3,028,160</u>
Deferred Inflows		
Deferred Inflows:	<u>\$ 1,835,419</u>	<u>\$ 2,482,784</u>
Net Position:		
Net investment in capital assets	\$ 2,540,184	\$ 3,720,483
Unrestricted Net Position	<u>(44,658)</u>	<u>(306,633)</u>
Total Net Position	<u>\$ 2,495,526</u>	<u>\$ 3,413,850</u>

**Table II**  
**Morton Independent School District**  
**CHANGES IN NET POSITION**

	Governmental Activities	
	2021	2022
Revenues:		
Program Revenues:		
Charges for services	\$ 33,371	\$ 35,043
Operating grants and contributions	851,464	2,294,663
General Revenues:		
Maintenance and operations taxes	425,622	622,455
Grants, contributions not restricted to specific functions	4,338,428	4,363,849
Investment earnings	28,758	-
Miscellaneous	331,690	180,636
Total Revenues	<u>\$ 6,009,333</u>	<u>\$ 7,496,646</u>
Expenses:		
Instruction	\$ 3,752,817	\$ 3,678,960
Instructional Resources and Media Services	32,163	22,870
Curriculum and Instructional Staff Development	6,218	6,688
Instructional Leadership	16,178	30,389
School Leadership	558,587	404,516
Guidance, Counseling and Evaluation Services	136,622	108,913
Health Services	75,191	57,653
Student (Pupil) Transportation	91,583	107,459
Food Services	297,177	315,026
Co-Curricular/Extracurricular Activities	310,542	366,422
General Administration	390,701	391,836
Plant Maintenance and Operations	595,109	815,999
Security and Monitoring Services	6,049	4,251
Data Processing Services	224,683	185,244
Community Services	-	-
Payments Related to Shared Service Arrangements	67,687	70,555
Other Intergovernmental Charges	11,113	11,541
Total Expenses	<u>\$ 6,572,420</u>	<u>\$ 6,578,322</u>
Increase/(Decrease) in net position	\$ (563,087)	\$ 918,324
Net Position at beginning of year	<u>3,058,613</u>	<u>2,495,526</u>
Net Position at end of year	<u>\$ 2,495,526</u>	<u>\$ 3,413,850</u>

The District's total revenues increased \$1,487,313. The total cost of all programs and services increased \$5,902 or minimal change from 2021.

The District experienced an increase in net position of \$918,324 from its operations this year.

The cost of all governmental activities this year was \$6,578,322 compared to \$6,572,420 last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was zero because some of the costs were paid by those who directly benefited from the programs (\$2,294,663), charge for services (\$35,043), by other governments and organizations that subsidized certain programs with grants and contributions (\$4,363,849), and miscellaneous revenues (\$180,636).

## 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 \$3,212,622, which is below last year's total of \$3,581,499. Included in this year's total change in fund balance is a decrease of \$368,877 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 \$3,212,622 reported on the Balance Sheet differs from the General Fund's budgetary fund balance of \$2,510,987 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 2022, the District had \$3,720,483 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 \$1,180,298, or 46% above last year (\$2,540,185).

This year's major additions included:

Furniture & Equipment	95,315
Buildings & Improvements	<u>2,321,212</u>
Total	<u>\$ 2,416,527</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 2022-2023 budget and the 2022 tax rates.

- Appraised tax valuation for 2022 used for the 2022-2023 budget preparation reflects a decrease in property tax values from \$54,229,985 to \$49,100,219. This is a decrease in property value of \$5,129,766. The Maintenance and Operation rate of \$0.94410 is also a decrease from \$0.9634 in 2021-2022. The District will experience a decrease in local Maintenance and Operating property tax revenue of \$48,430 ( $5,129,766 / 100 \times 0.94410$ ).

These indicators were taken into account when adopting the General Fund budget for 2022-2023. Amounts available for appropriation in the General Fund Budget for 2022-2023 are \$5,159,027, which represents a 4% decrease as compared to the final 2021-22 budgeted revenues of \$5,401,542.

The tax rate will decrease to \$0.94410 per \$100 valuation for Maintenance and Operations, as compared to last year's rate of \$0.9634. This reflects a decrease of \$0.0193 per \$100 valuation.

If the budgeted revenue and expenditures are realized, the General Fund balance of \$3,212,622 will stay the same at the end of the 2022-2023 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, 2022

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 2,952,183
1220 Property Taxes Receivable, Net	75,146
1240 Due from Other Governments	396,919
1290 Other Receivables, Net	1,023
Capital Assets:	
1510 Land	30,667
1520 Buildings, Net	2,976,326
1530 Furniture and Equipment, Net	616,550
1540 Vehicles, Net	96,940
1000 Total Assets	<u>7,145,754</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS Pension	612,300
1706 Deferred Outflow Related to TRS OPEB	1,166,740
1700 Total Deferred Outflows of Resources	<u>1,779,040</u>
<b>LIABILITIES</b>	
2110 Accounts Payable	25,794
2160 Accrued Wages Payable	105,112
2200 Accrued Expenses	4,244
2300 Unearned Revenue	2,353
Noncurrent Liabilities:	
Due in More than One Year:	
2502 Due in More Than One Year	49,709
2540 Net Pension Liability (District's Share)	766,531
2545 Net OPEB Liability (District's Share)	2,074,417
2000 Total Liabilities	<u>3,028,160</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	891,784
2606 Deferred Inflow Related to TRS OPEB	1,591,000
2600 Total Deferred Inflows of Resources	<u>2,482,784</u>
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	3,720,483
3900 Unrestricted	(306,633)
3000 Total Net Position	<u>\$ 3,413,850</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, 2022

EXHIBIT B-1

Data Control Codes	i	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for Services	Operating Grants and Contributions	6 Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 3,678,960	\$ -	\$ 1,276,125	\$ (2,402,835)
12 Instructional Resources and Media Services	22,870	-	-	(22,870)
13 Curriculum and Instructional Staff Development	6,688	-	700	(5,988)
21 Instructional Leadership	30,389	-	11,827	(18,562)
23 School Leadership	404,516	-	-	(404,516)
31 Guidance, Counseling, and Evaluation Services	108,913	-	-	(108,913)
33 Health Services	57,653	-	46,398	(11,255)
34 Student (Pupil) Transportation	107,459	-	-	(107,459)
35 Food Services	315,026	23,873	299,240	8,087
36 Extracurricular Activities	366,422	11,170	-	(355,252)
41 General Administration	391,836	-	24,657	(367,179)
51 Facilities Maintenance and Operations	815,999	-	-	(815,999)
52 Security and Monitoring Services	4,251	-	-	(4,251)
53 Data Processing Services	185,244	-	-	(185,244)
81 Capital Outlay	-	-	635,716	635,716
93 Payments Related to Shared Services Arrangements	70,555	-	-	(70,555)
99 Other Intergovernmental Charges	11,541	-	-	(11,541)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 6,578,322	\$ 35,043	\$ 2,294,663	(4,248,616)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			622,455
DT	Grants and Contributions not Restricted			4,363,849
MI	Miscellaneous Local and Intermediate Revenue			180,636
TR	Total General Revenues			5,166,940
CN	Change in Net Position			918,324
NB	Net Position - Beginning			2,495,526
NE	Net Position - Ending			\$ 3,413,850

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

# **GOVERNMENTAL FUND FINANCIAL STATEMENTS**

		Total	
Other		Governmental	
Funds		Funds	
\$	2,353	\$	2,952,183
	-		75,905
	-		(65,443)
	93,279		396,919
	-		423,555
	-		1,023
\$	95,632	\$	3,784,142
\$	-	\$	25,794
	25,629		105,112
	65,550		423,555
	2,100		4,244
	2,353		2,353
	95,632		561,058
	-		10,462
	-		10,462
	-		1,450,000
	-		500,000
	-		200,000
	-		1,062,622
	-		3,212,622
\$	95,632	\$	3,784,142

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

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 3,212,622</b>
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 \$12,826,950 and the accumulated depreciation was (\$10,286,765). 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.	2,500,619
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 2022 capital outlays and debt principal payments is to decrease net position.	1,491,347
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. The net position related to TRS was a Deferred Resource Outflow in the amount of 612,300, a Deferred Resource Inflow in the amount of (\$891,784) and a net pension liability in the amount of (\$766,531). This resulted in a decrease in net position.	(1,046,015)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$1,166,740, a deferred resource inflow in the amount of (\$1,591,000), and a net OPEB liability in the amount of (\$2,074,417). This resulted in a decrease in net position.	(2,498,677)
5 The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(321,192)
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.	75,146
<b>19 Net Position of Governmental Activities</b>	<b>\$ 3,413,850</b>

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

Other Funds		Total Governmental Funds	
\$	2,145	\$	824,955
	5,604		4,613,360
	956,954		2,363,774
	964,703		7,802,089
	902,972		3,792,316
	-		23,567
	-		6,379
	11,827		30,130
	-		422,237
	-		111,421
	46,398		59,838
	-		106,977
	3,780		300,407
	685		361,544
	-		395,791
	-		807,358
	-		4,452
	-		192,055
	-		1,474,398
	-		70,555
	-		11,541
	965,662		8,170,966
	(959)		(368,877)
	1,459		13,403
	(500)		(13,403)
	959		-
	-		(368,877)
	-		3,581,499
\$	-	\$	3,212,622

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, 2022

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (368,877)</b>
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 2022 capital outlays and debt principal payments is to decrease net position.	1,491,347
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.	(321,192)
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, and recognizing the liabilities associated with maturing long-term debt. The net effect of these reclassifications and recognitions is to decrease net position.	13,179
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$174,529. 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 (\$127,094). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense increased the change in net position by \$39,819. the net result is an increase in the change in net position.	87,254
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. these contributions made after the measurement date of the plan caused the change in ending net position to increase by \$51,525. 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 (\$42,509). Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$7,597. The net result is an increase in the change in net position.	16,613
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 918,324</b>

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, 2022

	Private Purpose Trust Funds	Custodial Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 159,029	\$ 73,620
Other Receivables	-	251
Total Assets	<u>159,029</u>	<u>73,871</u>
<b>NET POSITION</b>		
Held in Trust	159,029	-
Restricted for Campus Activities	-	73,871
Total Net Position	<u>\$ 159,029</u>	<u>\$ 73,871</u>

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



MORTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2022

	Private Purpose Trust Funds	Custodial Fund
<b>ADDITIONS:</b>		
Contributions, Gifts and Donations	\$ 2,000	\$ 85,058
Total Additions	<u>2,000</u>	<u>85,058</u>
<b>DEDUCTIONS:</b>		
Other Deductions	2,711	94,047
Total Deductions	<u>2,711</u>	<u>94,047</u>
Change in Fiduciary Net Position	(711)	(8,989)
Total Net Position September 1 (Beginning)	<u>159,740</u>	<u>82,860</u>
Total Net Position August 31 (Ending)	<u><u>\$ 159,029</u></u>	<u><u>\$ 73,871</u></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, 2022

**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. 61* 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, 2022

**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, 2022

**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. ESSER III ARP Act** – The District receives Federal funds to help schools district with COVID-19 pandemic.
- 3. Summer Career Tech Educational** – The District receives State funds to improve technology.

MORTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2022

**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, 2022

**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. LEASES**

Leases Effective July 1 ,2021, the District implemented GASB No. 87, Leases. As the lessee, the District determines whether a contract is, or contains a lease at inception. Lease agreements with a maximum lease term of twelve months or less, including options to extend, are accounted for as a short-term lease. Lease agreements that transfer ownership of the underlying asset to the District at the end of the contract are recorded as a finance purchase with a related lease liability. Lease agreements not classified as a short-term lease, or a finance purchase are accounted for as an intangible right to use lease asset. An intangible right to use lease asset represents the District's right to use an underlying asset during the lease term and the lease liability represents the District's obligation to make lease payments arising from the lease. Intangible right to use lease assets and lease liabilities are recognized at lease commencement based upon the estimate present value of unpaid lease payments over the lease term. The District uses its incremental borrowing rate based on information available at lease commencement in determining the present value of unpaid lease payments. As the lessor, the District applies the same criteria but recognizes a lease receivable and a deferred inflow of resources equal to the present value of the lease payments. The implementation of GASB No. 87, Leases did not have a material impact on the District's Beginning Net Position.

The District only has finance purchase leases during the year end August 31, 2022. Therefore, GASB No. 87 does not affect the financial statement presentation and disclosure.

**H. 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.

MORTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2022

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

**H. OTHER ACCOUNTING POLICIES (Cont.)**

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.

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:

MORTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2022

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

**H. OTHER ACCOUNTING POLICIES (Cont.)**

**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.
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.

**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.



MORTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2022

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Cont.)**

**BUDGETARY DATA (Cont.)**

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.

**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 \$2,952,183.

**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.

MORTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2022

**NOTE 3. DEPOSITS AND INVESTMENTS (Cont.)**

**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.

**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, 2022, 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 \$ 22,845 is passed through South Plains Community Action Association, Inc. and is reported as Other Receivables.

	State and Local Governments	Total
Special Revenue Funds	\$ 396,919	\$ 396,919
Total	<u>\$ 396,919</u>	<u>\$ 396,919</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, 2022, consisted of the following amounts:

Due To	General Fund	Totals
General Fund	\$ 65,159	\$ 65,159
Special Revenue Fund	<u>358,396</u>	<u>358,396</u>
Totals	<u>\$ 423,555</u>	<u>\$ 423,555</u>

Transfers To	General Fund	Special Revenue Fund	Totals
General Fund	\$ 11,944	\$ 1,459	\$ 13,403
Special Revenue Fund	<u>500</u>	<u>-</u>	<u>500</u>
Total	<u>\$ 12,444</u>	<u>\$ 1,459</u>	<u>\$ 13,903</u>

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**NOTE 6. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District's governmental activities for the year ended August 31, 2022, is detailed below. The District did not have any capital assets in the business-type activities.

	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
<b>Governmental Activities:</b>				
Land	\$ 30,667	\$ -	\$ -	\$ 30,667
Construction in Progress	915,037	-	(915,037)	-
Buildings and Improvements	8,662,904	2,321,212	-	10,984,116
Furniture and Equipment	2,314,336	95,315	-	2,409,651
Vehicles	904,006	-	-	904,006
Totals at Historic Cost	<u>\$ 12,826,950</u>	<u>\$ 2,416,527</u>	<u>\$ (915,037)</u>	<u>\$ 14,328,440</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ (7,858,559)	\$ (149,231)	\$ -	\$ (8,007,790)
Furniture and Equipment	(1,651,714)	(141,387)	-	(1,793,101)
Vehicles	<u>(776,492)</u>	<u>(30,574)</u>	<u>-</u>	<u>(807,066)</u>
Total Accumulated Depreciation	<u>\$ (10,286,765)</u>	<u>\$ (321,192)</u>	<u>\$ -</u>	<u>\$ (10,607,957)</u>
<b>Governmental Activities Capital Assets</b>	<u><b>\$ 2,540,185</b></u>	<u><b>\$ 2,095,335</b></u>	<u><b>\$ (915,037)</b></u>	<u><b>\$ 3,720,483</b></u>

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

Function	Amount
Instruction	\$ 180,696
Instructional Resources and Media Services	1,141
Curriculum & Staff Development	309
Instructional Leadership	1,481
School Leadership	20,442
Guidance, Counseling and Evaluation Services	5,397
Health Services	2,898
Student (Pupil) Transportation	5,182
Food Services	13,799
Curricular/Extracurricular Activities	22,053
General Administration	19,171
Plant Maintenance and Operations	39,105
Security and Monitoring Service	216
Data Processing Services	9,302
Total Depreciation Expense	<u>\$ 321,192</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, 2022, is detailed below. There are no long-term obligations in the business-type activities.

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**NOTE 7. LONG-TERM OBLIGATIONS (Cont.)**

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Governmental Activities:</b>				
Pension Liability - TRS	\$ 1,674,227	\$ -	\$ (907,696)	\$ 766,531
Pension OPEB - TRS	2,147,073	-	(72,656)	2,074,417
Compensated Absences	<u>39,566</u>	<u>22,651</u>	<u>(12,508)</u>	<u>49,709</u>
<b>Total Governmental Activities</b>	<b><u>\$ 3,860,866</u></b>	<b><u>\$ 22,651</u></b>	<b><u>\$ (992,860)</u></b>	<b><u>\$ 2,890,657</u></b>

No amounts are due within a year.

**NOTE 8. 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	Whitharral 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.

**NOTE 9. 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.

MORTON INDEPENDENT SCHOOL DISTRICT  
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**NOTE 9. PROPERTY TAXES (Cont.)**

**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 10. 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.

***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.

MORTON INDEPENDENT SCHOOL DISTRICT  
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**NOTE 10. DEFINED BENEFIT PENSION PLAN (Cont.)**

Employee contribution rates are set in State statute, Texas Government Code Section 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code Section 825.402 for member contributions and established employee contribution rates for fiscal years 2014-2017. The 86<sup>th</sup> Texas Legislature General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2020 and 2021. The 87<sup>th</sup> Texas Legislature General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2021 and 2022.

<u>Contribution Rates</u>		
	<u>2021</u>	<u>2022</u>
Member	7.7%	8.00%
Non-Employer Contributing Entity (State)	7.5%	7.75%
Employers	7.5%	7.75%
Current fiscal year Employer Contributions	\$	174,529
Current fiscal year Member Contributions	\$	282,807
2021 NECE On-Behalf Contributions	\$	207,363

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.

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.

**Actuarial Assumptions** – A change was made in the measurement date of the total pension liability for the 2022 measurement year. The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the total pension liability to August 31, 2022.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018.

MORTON INDEPENDENT SCHOOL DISTRICT  
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**NOTE 10. DEFINED BENEFIT PENSION PLAN (Cont.)**

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

Valuation Date	August 31, 2020, rolled forward to August 31, 2021
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*	1.95%
Last year ending August 31 in Projection Period (100 years)	2120
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

*\*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."*

**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.

**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.

MORTON INDEPENDENT SCHOOL DISTRICT  
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**NOTE 10. DEFINED BENEFIT PENSION PLAN (Cont.)**

Best estimates of geometric real rates of return for each major asset class included in the systems target asset allocation as of August 31, 2021 (see page 59 of the TRS CAFR) are summarized below:

<b>Asset Class</b>	<b>Target Allocation<sup>1</sup></b>	<b>Long-Term Expected Geometric Real<sup>2</sup></b>	<b>Expected Contribution to Long Term Portfolio Returns</b>
<b>Global Equity</b>			
U.S.	18.0%	3.6%	0.94%
Non-U.S. Developed	13.0%	4.4%	0.83%
Emerging Markets	9.0%	4.6%	0.74%
Directional Hedge Funds	0.0%	0.0%	0.00%
Private Equity	14.0%	6.3%	1.36%
<b>Stable Value</b>			
U.S. Treasuries	16.0%	(0.2)%	0.01%
Stable Value Hedge Funds	5.0%	2.2%	0.12%
Absolute Return (including Credit Sensitive Investments)	0.0%	1.1%	0.00%
<b>Real Return</b>			
Global Inflation Linked Bonds	0.0%	0.0%	0.00%
Real Estate	15.0%	4.5%	1.00%
Energy, Natural Resources, and Infrastructure	6.0%	4.7%	0.35%
Commodities	0.0%	1.7%	0.00%
<b>Risk Parity</b>			
Risk Parity	8.0%	2.8%	0.28%
Asset Allocation Leverage Cash	2.0%	(0.7)%	(0.01)%
Asset Allocation Leverage	(6.0)%	(0.5)%	0.03%
Inflation Expectation			2.20%
Volatility Drag			(0.95)%
<b>Total</b>	<b><u>100.0%</u></b>		<b><u>6.90%</u></b>

1 Target allocations are based on the FY2021 policy model.

2 Capital Market Assumptions come from Aon Hewitt (as of 8/31/2021)

**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 2021 Net Pension Liability.

	<b>1% Decrease in Discount Rate (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase in Discount Rate (8.25%)</b>
Proportionate Share of the Net Pension Liability	\$ 1,674,993	\$ 766,531	\$ 29,493



MORTON INDEPENDENT SCHOOL DISTRICT  
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**NOTE 10. DEFINED BENEFIT PENSION PLAN (Cont.)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources / Deferred Inflow of Resources Related to Pensions* – At August 31, 2022, the District reported a liability of \$766,531 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	\$ 766,531
State's proportionate share that is associated with the District	<u>\$ 1,237,451</u>
Total	<u>\$ 2,003,982</u>

The net pension liability was measured as of August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2020 through August 31, 2021.

At August 31, 2021, the employer's proportion of the collective net pension liability was 0.0030099641%, which was a decrease of (0.0001160453%) from its proportion measured as of August 31, 2020.

**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, 2022, the District recognized pension expense of \$92,222 and revenue of \$4,947 for support provided by the State.

At August 31, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 1,283	\$ 53,964
Changes in actuarial assumptions	270,954	118,113
Differences between projected and actual investment earnings	-	642,727
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>165,534</u>	<u>76,980</u>
Total as of August 31, 2021 measurement date	\$ 437,771	\$ 891,784
Contributions paid to TRS subsequent to the measurement date	<u>174,529</u>	<u>-</u>
Total as fiscal year-end	<u>\$ 612,300</u>	<u>\$ 891,784</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:

Year Ended August 31,	Pension Expense Amount
2023	\$ (79,561)
2024	\$ (76,085)
2025	\$ (117,959)
2026	\$ (170,194)
2027	\$ (6,092)
Thereafter	<u>\$ (4,122)</u>
Total	<u>\$ (454,013)</u>

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**NOTE 11. 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](http://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.

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**NOTE 11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (CONT.)**

**Contributions (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 2021, is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

<b><u>Contribution Rates</u></b>		
	<b><u>2021</u></b>	<b><u>2022</u></b>
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	\$ 51,525	
Current fiscal year member contributions	\$ 22,979	
2021 measurement year NECE on-behalf contributions	\$ 56,287	

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 \$3,312,206 million in fiscal year 2021.

**Actuarial Assumptions** – The total OPEB liability in the August 31, 2020 actuarial valuation was rolled forward to August 31, 2021. 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, 2021 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, 2020
Discount Rate	2.20%
Actuarial Cost Method	Entry Age
Salary Increases	2.30% to 9.05% including inflation
Inflation	2.30%
Ad Hoc Post-Employment Benefit Changes	None
Annual Healthcare Trend Rates	8.80% for FY2022, 5.25% for FY2023 For FY 2024, 4.75% for FY 2025, 4.60% For FY 2026, decreasing 10 basis points Per year to an ultimate rate of 4.30% for FY2029 and later years
Annual Healthcare Trend Rates	(53.30)% for FY2022, 0.00% for FY2023, 66.67% for FY2024, 24.00% for FY2025, 4.60% for FY2026, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2029 and later years

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YEAR ENDED AUGUST 31, 2022

**NOTE 11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (CONT.)**

**Discount Rate** – A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decreased of .17 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 (0.95%)	Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
Proportionate Share of the Net OPEB Liability	\$ 2,502,225	\$ 2,074,417	\$ 1,737,718

**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	\$ 1,680,209	\$ 2,074,417	\$ 2,603,346

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources / Deferred Inflow of Resources Related to Pensions** – At August 31, 2022, the District reported a liability of \$2,074,417 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	\$ 2,074,417
State’s proportionate share that is associated with the District	\$ 2,779,256
Total	\$ 4,853,673

The net OPEB liability was measured as of August 31, 2021 and the Total OPEB Liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The 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, 2020 thru August 31, 2021.

At August 31, 2021 the employer’s proportion of the collective Net OPEB Liability was 0.0053776935%, which was a decrease of (0.0002703399%) from its proportion measured as of August 31, 2020.

For the year ended August 31, 2022, the District recognized OPEB expense of \$(67,664) and revenue of \$(102,576) for support provided by the State.

MORTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2022

**NOTE 11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (CONT.)**

At August 31, 2022, 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	\$ 89,313	\$ 1,004,163
Changes in actuarial assumptions	229,766	438,701
Differences between projected and actual investment earnings	2,252	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>793,884</u>	<u>148,136</u>
Total as of August 31, 2021 measurement date	\$ 1,115,215	\$ 1,591,000
Contributions paid to TRS subsequent to the measurement date	<u>51,525</u>	<u>-</u>
Total as fiscal year-end	<u>\$ 1,166,740</u>	<u>\$ 1,591,000</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
2023	\$ (114,887)
2024	\$ (114,938)
2025	\$ (114,924)
2026	\$ (60,320)
2027	\$ 13,605
Thereafter	<u>\$ (84,321)</u>
Total	<u>\$ (475,785)</u>

**NOTE 12. 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, 2022.

**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 2022, 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, 2022

**NOTE 12. OTHER REQUIRED DISCLOSURES (Cont.)**

During the year ended August 31, 2022, 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, 2022, 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, 2022 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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MORTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2022

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	\$ 818,962	\$ 768,962	\$ 822,810	\$ 53,848
5800 State Program Revenues	4,287,580	4,087,580	4,492,555	404,975
5900 Federal Program Revenues	295,000	290,000	366,030	76,030
5020 Total Revenues	5,401,542	5,146,542	5,681,395	534,853
EXPENDITURES:				
Current:				
0011 Instruction	2,870,124	2,420,124	2,394,426	25,698
0012 Instructional Resources and Media Services	31,149	26,149	23,567	2,582
0013 Curriculum and Instructional Staff Development	9,250	9,250	5,679	3,571
0021 Instructional Leadership	-	19,000	18,303	697
0023 School Leadership	458,831	426,831	422,237	4,594
0031 Guidance, Counseling, and Evaluation Services	117,558	117,558	111,421	6,137
0033 Health Services	60,709	15,709	13,440	2,269
0034 Student (Pupil) Transportation	114,559	118,559	106,977	11,582
0035 Food Services	310,300	310,500	296,627	13,873
0036 Extracurricular Activities	351,751	381,751	360,859	20,892
0041 General Administration	365,957	375,957	371,134	4,823
0051 Facilities Maintenance and Operations	709,159	869,159	807,358	61,801
0052 Security and Monitoring Services	8,450	8,450	4,452	3,998
0053 Data Processing Services	195,156	195,156	192,055	3,101
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	840,000	838,682	1,318
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	70,901	70,901	70,555	346
0099 Other Intergovernmental Charges	11,000	12,000	11,541	459
6030 Total Expenditures	5,684,854	6,217,054	6,049,313	167,741
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(283,312)	(1,070,512)	(367,918)	702,594
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	11,944	11,944
8911 Transfers Out (Use)	-	-	(12,903)	(12,903)
7080 Total Other Financing Sources (Uses)	-	-	(959)	(959)
1200 Net Change in Fund Balances	(283,312)	(1,070,512)	(368,877)	701,635
0100 Fund Balance - September 1 (Beginning)	3,581,499	3,581,499	3,581,499	-
3000 Fund Balance - August 31 (Ending)	\$ 3,298,187	\$ 2,510,987	\$ 3,212,622	\$ 701,635



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, 2022

	Measurement Year Ended August 31,							
	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0030099641%	0.0031260094%	0.0027546194%	0.0024901840%	0.0024737168%	0.0027896423%	0.0030230000%	0.0017673000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 766,531	\$ 1,674,227	\$ 1,431,937	\$ 1,370,658	\$ 790,961	\$ 1,054,164	\$ 1,068,590	\$ 472,070
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,237,451	2,799,600	2,480,819	2,638,790	1,756,122	2,214,937	2,362,943	2,125,046
Total	\$ 2,003,982	\$ 4,473,827	\$ 3,912,756	\$ 4,009,448	\$ 2,547,083	\$ 3,269,101	\$ 3,431,533	\$ 2,597,116
District's Covered Payroll	\$ 3,529,882	\$ 3,707,410	\$ 3,135,068	\$ 3,041,024	\$ 3,182,556	\$ 3,341,299	\$ 3,504,054	\$ 3,594,846
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	21.72%	45.16%	45.67%	45.07%	24.85%	31.55%	30.50%	13.13%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Only eight 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, 2022

	Fiscal Year Ended August 31,					
	2022	2021	2020	2019	2018	2017
Contractually Required Contribution	\$ 174,529	\$ 127,094	\$ 129,301	\$ 96,024	\$ 82,498	\$ 81,416
Contribution in Relation to the Contractually Required Contribution	(174,529)	(127,094)	(129,301)	(96,024)	(82,498)	(81,416)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 3,535,090	\$ 3,529,882	\$ 3,707,410	\$ 3,135,068	\$ 3,041,024	\$ 3,182,556
Contributions as a percentage of Covered Payroll	4.94%	3.60%	3.49%	3.06%	2.71%	2.56%
						2.65%
						3.19%

Note: Only eight 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, 2022

	Measurement Year Ended August 31,			
	2021	2020	2019	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0053776935%	0.0056480334%	0.0048434376%	0.0039077660%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 2,074,417	\$ 2,147,073	\$ 2,290,518	\$ 1,951,183
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	2,779,256	2,885,151	3,043,590	2,507,809
Total	\$ 4,853,673	\$ 5,032,224	\$ 5,334,108	\$ 4,458,992
District's Covered Payroll	\$ 3,529,882	\$ 3,439,410	\$ 3,135,068	\$ 3,041,024
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	58.77%	62.43%	73.06%	64.16%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	6.18%	4.99%	2.66%	1.57%
				0.91%

Note: Only five 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, 2022

	Fiscal Year Ended August 31,			
	2022	2021	2020	2018
Contractually Required Contribution	\$ 51,525	\$ 42,509	\$ 42,970	\$ 35,445
	(51,525)	(42,509)	(42,970)	(35,445)
Contribution in Relation to the Contractually Required Contribution				(25,150)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 3,535,090	\$ 3,529,882	\$ 3,707,410	\$ 3,135,068
Contributions as a percentage of Covered Payroll	1.46%	1.20%	1.16%	1.13%
				0.83%

Note: Only five 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**

(10) Beginning Balance 9/1/2021	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2022
\$ 15,100	\$ -	\$ 52	\$ -	\$ (1,178)	\$ 13,870
808	-	8	-	(136)	664
2,077	-	284	-	(147)	1,646
3,133	-	1,096	-	(173)	1,864
4,128	-	483	-	(247)	3,398
5,194	-	286	-	(144)	4,764
6,896	-	1,007	-	(143)	5,746
9,591	-	2,714	-	(130)	6,747
15,666	-	6,621	-	(396)	8,649
-	514,483	485,567	-	(359)	28,557
<u>\$ 62,593</u>	<u>\$ 514,483</u>	<u>\$ 498,118</u>	<u>\$ -</u>	<u>\$ (3,053)</u>	<u>\$ 75,905</u>

MORTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - ESSER III - ARP SCHOOL EMERGENCY RELIEF  
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
<b>REVENUES:</b>				
5900 Federal Program Revenues	\$ -	\$ 627,500	\$ 1,040,790	\$ 413,290
5020 Total Revenues	-	627,500	1,040,790	413,290
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	-	529,250	379,717	149,533
0013 Curriculum and Instructional Staff Development	-	500	700	(200)
0041 General Administration	-	97,750	24,657	73,093
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	635,716	(635,716)
6030 Total Expenditures	-	627,500	1,040,790	(413,290)
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 - STATE FUNDED SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
<b>REVENUES:</b>				
5800 State Program Revenues	\$ -	\$ 461,345	\$ 115,201	\$ (346,144)
5020 Total Revenues	-	461,345	115,201	(346,144)
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	-	461,345	115,201	346,144
6030 Total Expenditures	-	461,345	115,201	346,144
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  
812 9<sup>th</sup> 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 (the District), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 19, 2023.

**Internal Control over Financial Reporting**

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

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### **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.

*EMMS CPAs and Advisors, PLLC*

Levelland, Texas

January 19, 2023



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**

***Opinion on Each Major Federal Program***

We have audited the Morton Independent School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District's complied, in all material respects, with the 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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the



override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*EMMS CPAs and Advisors, PLLC*

Levelland, Texas  
January 19, 2023

MORTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2022

**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>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster*</u>
84.425D	COVID-19 – ESSER, School Emergency Relief II
84.425U	COVID-19 – ARP ESSER III
84.425U	COVID-19 – TCLAS ESSER III

8. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The auditee 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, 2022

EXHIBIT K-1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Passed through to Subrecipients	Federal Expenditures
<b><u>U. S. Department Of Education</u></b>				
Passed Through State Department of Education				
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22-610101040901	\$ -	\$ 158,469
ESEA, Title I, Part A - Improving Basic Programs	84.010A	23-610101040901	-	8,393
Total CFDA Number 84.010A			-	166,862
ESEA, Title I, Part C - Migratory Children	84.011	22-615001040901	-	3,280
Total CFDA Number 84.011			-	3,280
ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School Grant	84.358A	22-696001040901	-	20,995
Total CFDA Number 84.358A			-	20,995
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	22-694501040901	-	17,400
Total CFDA Number 84.367A			-	17,400
ESEA, Title IV, Part A - Student Support	84.424A	22-680101040901	-	59,124
ESEA, Title IV, Part A - Student Support	84.424A	23-680101040901	-	1,111
Total CFDA Number 84.424			-	60,235
COVID-19 ESSER II CRRSA, School Emergency Relief	84.425D	22-696001040901	-	227,285
COVID-19 ESSER III, TCLAS	84.425U	21-696001040901	-	360,054
COVID-19 ARP ESSER III, School Emergency Relief	84.425U	22-696001040901	-	985,052
COVID-19 ARP ESSER III, School Emergency Relief	84.425U	22-696001040901	-	55,738
Total CFDA Number 84.425			-	1,628,129
Total Passed Through State Department of Education			-	1,896,901
<b>TOTAL U.S. DEPARTMENT OF EDUCATION:</b>			<b>\$ -</b>	<b>\$ 1,896,901</b>

MORTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2022

EXHIBIT K-1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Passed through to Subrecipients	Federal Expenditures
<b><u>U.S. Department of Health and Human Services</u></b>				
<b><u>Passed Through South Plains Community Action Association, Inc.</u></b>				
* 2 Head Start	93.600	22-06CH010433	\$ -	\$ 66,359
* 2 Head Start	93.600	23-06CH010433	-	34,484
Total CFDA Number 93.600			-	100,843
Total Passed Through South Plains Community Action Association, Inc.			-	100,843
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ -</b>	<b>\$ 100,843</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<b><u>Passed Through the State Department of Agriculture</u></b>				
* 1 School Breakfast Program	10.553	22-00592040901	\$ -	\$ 110,440
* 1 National School Lunch Program - Cash Assistance	10.555	22-00592040901	-	204,697
* 1 National School Lunch Program - Non-Cash Assistance	10.555	22-00592040901	-	30,730
Total CFDA Number 10.555			-	235,427
* 1 Summer Feeding Program - Cash Assistance	10.559	22-00592040901	-	20,100
Total Child Nutrition Cluster			-	365,967
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>-</b>	<b>365,967</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ -</b>	<b>\$ 2,363,711</b>
<b><u>*Cluster Programs</u></b>				
1 - Child Nutrition Cluster			\$ -	\$ 365,967
2 - Head Start Cluster			\$ -	\$ 100,843



MORTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2022

**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, 2022. 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, 2022.

**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 2022

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