

**MORGAN COUNTY SCHOOL  
DISTRICT Re-3**



**Financial Statements**

**Fiscal Year Ended June 30, 2018**

**715 West Platte Ave.  
FORT MORGAN, COLORADO 80701**

**MORGAN COUNTY SCHOOL  
DISTRICT Re-3  
Fort Morgan, Colorado**

***Financial Statements***

***Fiscal Year Ended  
June 30, 2018***

***Prepared by the Department of Finance***

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**Morgan County School District Re-3**  
**Table of Contents**

**FINANCIAL SECTION**

Independent Auditors' Report..... 1-3  
Management's Discussion and Analysis ..... 4-21

**Basic Financial Statements**

Government Wide Financial Statements

Statement of Net Position.....22  
Statement of Activities.....23

Fund Financial Statements

Balance Sheet – Governmental Funds.....24-25  
Statement of Revenues, Expenditures and Changes in Fund  
Balances - Governmental Funds.....26-27  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities .....28  
Statement of Fiduciary Net Position .....29  
Statement of Changes in Fiduciary Net Position .....30

Notes to Financial Statements.....31-66

**Morgan County School District Re-3**  
**Table of Contents**

**Required Supplementary Information**

Schedule of Proportionate Share of the Net Pension Liability and Contributions.....	67
Schedule of Proportionate Share of the Net OPEB Liability and Contributions .....	68
Budgetary Comparison Schedule - General Fund .....	69-71
Budgetary Comparison Schedule - Federal Programs Fund .....	72
Notes to Required Supplementary Information .....	73-78

**Combining and Individual Fund Financial Statements and Schedules**

Combining Balance Sheet - General Fund .....	80-81
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund .....	82-83
Budgetary Comparison Schedule - Bond Redemption Fund .....	84
Budgetary Comparison Schedule - Building Fund .....	85
Budgetary Comparison Schedule - Food Service Fund.....	86
Budgetary Comparison Schedule - Private-Purpose Trust Fund .....	87
Statement of Changes in Assets and Liabilities - Agency Fund.....	88

**Morgan County School District Re-3**  
**Table of Contents**

**COMPLIANCE SECTION**

**Single Audit**

Independent Auditors' 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 .....89-90

Independent Auditors' Report on Compliance for each Major Federal Program, Internal Control over Compliance, and the Schedule of Expenditures of Federal Awards required by the Uniform Guidance .....91-93

Schedule of Findings and Questioned Costs ..... 94

Schedule of Expenditures of Federal Awards ..... 95

Notes to the Schedule of Expenditures of Federal Awards..... 96

**State Compliance**

Auditors Integrity Report .....97



**HINKLE &  
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Strategic PC  
Business Advisors

## Independent Auditors' Report

Board of Education  
Morgan County School District Re-3  
Fort Morgan, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Morgan County School District Re-3 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Morgan County School District Re-3, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Morgan County School District Re-3 as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 17 to the financial statements, in the year ended June 30, 2018, the Morgan County School District Re-3 adopted new accounting guidance as required by Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Morgan County School District Re-3's basic financial statements. The supplementary information and the auditors integrity report 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 supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2019, on our consideration of the Morgan County School District Re-3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Morgan County School District Re-3's internal control over financial reporting and compliance.

*Hill & Company, PC*

Greenwood Village, Colorado  
February 26, 2019



**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2018**

This discussion and analysis of Morgan County School District Re-3's financial performance provides an overview of the District financial activities for fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements, along with the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year ended June 30, 2018 are as follows:

- During fiscal year 2018, the District implemented GASB 75, (regarding PERA health care liabilities), which resulted in a restatement of the prior year net position from (\$17,276,451) to (\$19,825,079). This was a reduction in net position of \$2,548,628.
- The total liabilities and deferred inflows of resources of the Morgan County School District Re-3 exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$40,071,049 (net position).
- The District's total net position decreased by \$20,245,970 over the previous year net position.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$16,345,527 compared to \$15,283,210 at the close of the prior fiscal year.
- Total ending fund balances for the governmental funds at June 30, 2018 included \$10,660,320 for the General Fund; \$309,623 for the Federal Programs Fund, \$2,819,781 for the Bond Redemption Fund, \$1,848,229 for the Building Fund that was created in fiscal year 2013-2014 and \$707,574 in the District's nonmajor governmental fund which represents the District's Food Service Fund. The \$1,848,229 in the Building Fund represents temporary unspent bond proceeds and premiums earmarked for construction of the District's new Middle School and ongoing District facility improvements.
- At June 30, 2018, the General Fund had \$131,501 in nonspendable fund balance (inventories and prepaids), \$1,050,000 and \$92,617 in restricted fund balance for emergency reserve (TABOR) and the Colorado Preschool carryover funds respectively and one additional restriction in the amount of \$648,103 for Mill Levy Override funds.

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2018**

**Financial Highlights (continued)**

- The General Fund identified assigned fund balances representing budgetary projects in the amount of \$8,040 and \$1,470,514 representing capital projects. The remaining balance of \$7,259,545 is reported as unassigned fund balance.
- Governmental Activities general revenues accounted for \$28,696,018 in revenue or 79% of the total governmental revenues.
- Program specific revenues in the form of charges for services and operating grants and contributions and capital grants accounted for \$7,628,579 or 21% of total revenues of \$35,876,566. The 2017-2018 grant revenue percentage is lower than 2016-2017 due to the exhaustion of BEST Capital Grant funds for the ongoing construction of the new Middle School and the remaining construction funding coming from the District's match for the grant funded by the issuance of general obligation bonds in 2015.

Total revenues were \$20,245,970 less than expenses, which reflected the reduction in net position from the prior year.

- The District governmental activities had \$56,176,393 in expenses. As noted above, \$7,628,579 of these expenses were offset by program specific charges for services, operating grants and contributions. The balance, \$48,493,957 was partially entirely offset by 28,696,018 in general revenues but the remaining portion resulted in a reduction in net position for the District. The decrease in the net position was partially attributable to the final construction expenditures for the middle school that were funded from the bond proceeds received and recognized as revenue in 2015.
- The District has four governmental major funds - the General Fund, Federal Programs Fund, Bond Redemption Fund and the Building Fund.

At the end of FY 2017-2018, the fund balance of the General Fund was \$10,660,320. Of this total, \$7,259,545 was unassigned.

The Federal Programs Fund balance showed an increase of \$30,751 from the prior year resulting in an ending balance of \$309,623.

The Bond Redemption Fund showed revenues in excess of expenditures of \$104,700 for an ending balance of \$2,819,781.

**Morgan County School District Re-3**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2018**

**Financial Highlights (continued)**

The Building Fund had a fourth year ending fund balance of \$1,848,229 representing unexpended bond proceeds and premiums from the February 2015 bond issue.

The Food Service Fund is the District's only nonmajor governmental fund. The Food Service Fund showed revenues in excess of expenditures by \$13,736 for an ending balance of \$707,574.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to Morgan County School District RE-3's basic financial statements. The District's basic financial statements consist of three components: 1) district-wide financial statements, 2) fund financial statements, and, 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

**District-Wide Financial Statements**

The government-wide financial statements are designed to provide the reader of the District's audited financial statements a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The statement of net position presents information about all of the District's assets, deferred outflows of resources and liabilities and deferred inflows of resources. The difference between them is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

**Morgan County School District Re-3**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**District-Wide Financial Statements (continued)**

The government-wide financial statements include functions of the District that are supported from taxes and intergovernmental revenues (governmental activities). Governmental activities consolidate governmental funds including the General Fund, Building Fund, Debt Service Fund and Special Revenue Funds.

Notes to the financials, which are included just following the basic financial statements, provide more detailed data and explain some of the information in the statements. The supplementary information sections provide further explanations and additional support for the financial statements, including a comparison of the District budget to actual revenues and expenditures for the year. Additional elements of this report include sections on the Single Audit and State Compliance.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where all of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant and facilities, pupil transportation and extracurricular activities.

The district wide financial statements can be found on pages 23-24 of this report.

***Fund Financial Statements***

- The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. The District has four major funds - the General Fund, Federal Programs Fund, Bond Redemption Fund and the Building Fund.
- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The District has two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds statements explains the relationship (or differences) between them.
- *Fiduciary funds:* The District is the agent, or fiduciary, for assets that belong to others, such as the education memorial, scholarship funds and pupil activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.
- *Notes to the Basic Financial Statements:* The notes provide additional information that is essential to a full understanding of the data provided in the district wide and fund financial statements. The notes to the financial statements can be found on pages 31-66 of this report.
- *Required Supplementary Information:* In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the District. The District adopts an annual budget for all funds. A budgetary comparison schedule has been provided for the General Fund and the Federal Programs Fund.

**Morgan County School District Re-3  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2018**

**Financial Analysis of the District as a Whole**

As stated earlier, that Statement of Net Position and the Statement of Activities provide a financial glimpse of the District as a whole. Table 1 (Net Position Summary) provides a summary of the District net position for fiscal year 2018 as contained in the Statement of Net Position and compares that information to fiscal year 2017.

As the table shows, total net position as of June 30, 2018 were:

	Total Government Wide		Total Dollar Change	Total Percentage Change
	2018	2017	2018-2017	2018-2017
<b>Assets</b>				
Current Assets	\$ 20,181,373	\$ 18,848,088	\$ 1,333,285	7.07%
Net Capital Assets	59,623,344	60,979,592	(1,356,248)	(2.22%)
<b>Total Assets</b>	<b>79,804,717</b>	<b>79,827,680</b>	<b>(22,963)</b>	<b>(0.03%)</b>
Total Deferred Outflows of Resources	36,505,514	42,043,143	(5,537,629)	(13.17%)
<b>Liabilities</b>				
Other Liabilities	3,699,665	3,128,582	571,083	18.25%
Long-Term Liabilities	147,570,357	135,012,314	12,558,043	9.30%
<b>Total Liabilities</b>	<b>151,270,022</b>	<b>138,140,896</b>	<b>13,129,126</b>	<b>9.50%</b>
Total Deferred Inflows of Resources	5,111,258	1,006,378	4,104,880	407.89%
<b>Net Position</b>				
Invested in Capital Assets Net of Related Debt	36,768,956	35,939,589	829,367	2.31%
Restricted	4,603,294	4,584,922	18,372	0.40%
Unrestricted	(81,443,299)	(57,800,962)	(23,642,337)	40.90%
<b>Total Net Position</b>	<b>\$ (40,071,049)</b>	<b>\$ (17,276,451)</b>	<b>\$ (22,794,598)</b>	<b>131.94%</b>

**Morgan County School District Re-3**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Financial Analysis of the District as a Whole (continued)**

During fiscal years 2015 and 2018, the District implemented Governmental Accounting Standards Board (GASB) Statements 68 and 75 respectively, which requires the inclusion of unfunded pension and other postemployment benefit liabilities and other related items. Because of this, the net position was significantly reduced and may not serve as a useful or practical indicator of the District's financial position. For the District's primary government, liabilities and deferred inflows exceeded assets and deferred outflows by \$40,071,049 at June 30, 2018. \$91,111,740 of this relates to GASB Statements 68 and 75. Without these liabilities, the District's assets would exceed its liabilities by \$50,986,834.

Total net position of the District's governmental activities decreased by \$20,245,970 for the fiscal year ended June 30, 2018 which was a \$4,116,775 increase from the \$16,129,195 deficit experienced in 2016-2017. The decrease is attributable to higher pension and other postemployment expenses recognized in 2017-2018.

**Morgan County School District Re-3  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2018**

Table 2  
Changes in Net Position

	Total		Total	Total
	Governmental Activities		Dollar	Percentage
	2018	2017	Change	Change
	<u>2018</u>	<u>2017</u>	<u>2018-2017</u>	<u>2018-2017</u>
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 530,788	\$ 457,005	\$ 73,783	16.14%
Operating Grants & Contributions	6,361,784	5,352,058	1,009,726	18.87%
Capital Grants & Contributions	736,007	203,296	532,711	262.04%
General Revenues				
Property Taxes	11,558,797	11,091,470	467,327	4.21%
State Revenue	16,665,921	15,565,329	1,100,592	7.07%
Insurance Proceeds	235,429	134,767	100,662	74.69%
Miscellaneous	65,987	193,964	(127,977)	(65.98%)
Interest Income	169,884	82,827	87,057	105.11%
Special Item				
Loss on capital asset disposition	(448,031)	-	(448,031)	
<b>Total Revenues</b>	<u>35,876,566</u>	<u>33,080,716</u>	<u>2,795,850</u>	<u>8.45%</u>
<b>Expenses</b>				
Instruction	31,150,304	27,711,242	3,439,062	12.41%
Supporting Services	21,914,552	18,494,902	3,419,650	18.49%
Food Services	2,214,270	2,071,753	142,517	6.88%
Interest	843,410	932,014	(88,604)	(9.51%)
<b>Total Expenses</b>	<u>56,122,536</u>	<u>49,209,911</u>	<u>6,912,625</u>	<u>14.05%</u>
Change In Net Position	<u>\$ (20,245,970)</u>	<u>\$ (16,129,195)</u>	<u>\$ (4,116,775)</u>	<u>25.52%</u>

**Morgan County School District Re-3  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Financial Analysis of the District as a Whole (continued)**

***Governmental Activities***

The Statement of Activities on page 23 shows the cost of program services and the charges for services and grants offsetting those services. Table 3 (Net Cost of Services) extracts information from the Statement of Activities and compares the net cost of services from one year to the next. It identifies the cost (surplus) of those services supported by tax revenue and unrestricted state revenue.

**Table 3  
Net Cost Of Services**

	2018	2017	Change	Percent Change
Instruction	\$ (26,623,343)	\$ (24,211,373)	\$ (2,411,970)	(9.96%)
Support Services	(20,552,235)	(17,628,631)	(2,923,604)	(16.58%)
Food Services	(474,969)	(425,534)	(49,435)	(11.62%)
Interest on Long-Term Debt	(843,410)	(932,014)	88,604	9.51%
<b>Total Expenses</b>	<b>\$ (48,493,957)</b>	<b>\$ (43,197,552)</b>	<b>\$ (5,296,405)</b>	<b>(12.26%)</b>

***Changes in Fund Balance 2018 to 2017***

The following tables (4 through 9) demonstrate a comparison in the changes in fund balances from the 2017 fiscal year to the current 2018 fiscal year through a side by side combining statement of revenues, expenditures and changes in fund balance. The departments compared compose the Combined General fund which consists of the General, Mill Levy, Daycare, Capital Reserve, Insurance, and Preschool departments. These results are reported on pages 81 and 82.

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Changes in Fund Balance: 2018 to 2017 (continued)**

State Equalization	16,665,921	15,517,500	1,148,421	7.40%
Other	343,464	187,498	155,966	83.18%
Total Revenues	<u>27,436,288</u>	<u>24,729,968</u>	<u>2,706,320</u>	<u>10.94%</u>
Expenditures:				
Salaries	15,811,156	14,711,053	1,100,103	7.48%
Benefits	5,986,848	5,676,617	310,231	5.47%
Purchased Services	1,348,251	1,558,528	(210,277)	-13.49%
Supplies/Materials	1,521,562	1,544,068	(22,506)	-1.46%
Capital Outlay	161,801	161,470	331	0.20%
Other (net of indirect cost reimbursement)	(215,681)	(111,348)	(104,333)	93.70%
Total Expenditures	<u>24,613,937</u>	<u>23,540,388</u>	<u>1,073,549</u>	<u>4.56%</u>
Excess of Revenues over Expenditures	2,822,351	1,189,580	1,632,771	137.26%
Allocations and Transfers	<u>(2,054,144)</u>	<u>(1,630,363)</u>	<u>(423,781)</u>	<u>25.99%</u>
Net Change in Fund Balances	<u>\$ 768,207</u>	<u>\$ (440,783)</u>	<u>\$ 1,208,990</u>	<u>-274.28%</u>

**Morgan County School District Re-3  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Changes in Fund Balance: 2018 to 2017 (continued)**

**Table 5: Mill Levy Department**

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Percent Change</u>
Revenues:				
Property Taxes	\$ 558,128	\$ 546,239	\$ 11,889	2.18%
Other	6,800	4,287	2,513	58.62%
Total Revenues	<u>564,928</u>	<u>550,526</u>	<u>14,402</u>	<u>2.62%</u>
Expenditures:				
Instruction & Supporting Services	378,531	330,503	48,028	14.53%
Capital Outlay	263,539	193,247	70,292	36.37%
Total Expenditures	<u>642,070</u>	<u>523,750</u>	<u>118,320</u>	<u>22.59%</u>
Net Change in Fund Balances	<u>\$ (77,142)</u>	<u>\$ 26,776</u>	<u>\$ (103,918)</u>	<u>(388.10%)</u>

**Table 6: Daycare Department**

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Percent Change</u>
Revenues:				
Local Sources	\$ 185,370	\$ 126,697	\$ 58,673	46.31%
Other	15,602	18,841	(3,239)	(17.19%)
Total Revenues	<u>200,972</u>	<u>145,538</u>	<u>55,434</u>	<u>38.09%</u>
Expenditures:				
Supporting Services	138,613	133,585	5,028	3.76%
Net Change in Fund Balances	<u>\$ 62,359</u>	<u>\$ 11,953</u>	<u>\$ 50,406</u>	<u>421.70%</u>

**Morgan County School District Re-3  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Changes in Fund Balance: 2018 to 2017 (continued)**

**Table 7: Capital Reserve Department**

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Percent Change</u>
<b>Revenues:</b>				
Intergovernmental	\$ 111,843	\$ 102,941	\$ 8,902	100.00%
Other	2,312	10	2,302	23020.00%
<b>Total Revenues</b>	<b>114,155</b>	<b>102,951</b>	<b>11,204</b>	<b>10.88%</b>
<b>Expenditures:</b>				
Instruction	170		(1,860)	100.00%
Supporting Services	214,171	2,030	3,335	100.00%
Noncapital Outlay	237,223	210,836	26,387	12.52%
Capital Outlay	481,644	134,307	347,337	258.61%
<b>Total Expenditures</b>	<b>933,208</b>	<b>347,173</b>	<b>586,035</b>	<b>168.80%</b>
Excess of Expenditures over Revenue	(819,053)	(244,222)	(574,831)	235.37%
Allocations and Transfers	1,041,681	519,000	522,681	100.71%
<b>Net Change in Fund Balances</b>	<b>\$ 222,628</b>	<b>\$ 274,778</b>	<b>\$ (52,150)</b>	<b>(18.98%)</b>

**Table 8: Insurance Department**

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Percent Change</u>
<b>Revenues:</b>				
Other Revenue		\$ 3,979	\$ (3,979)	100.00%
Investment Earnings	\$ 460	234	226	96.58%
<b>Total Revenues</b>	<b>460</b>	<b>4,213</b>	<b>(3,753)</b>	<b>(89.08%)</b>
<b>Expenditures:</b>				
Supporting Services	546,889	526,493	20,396	3.87%
<b>Total Expenditures</b>	<b>546,889</b>	<b>526,493</b>	<b>20,396</b>	<b>3.87%</b>
Excess of Revenues over Expenditure	(546,429)	(522,280)	(24,149)	4.62%
<b>Other Financing Sources</b>				
Insurance Proceeds	235,429	134,767	100,662	74.69%
Allocations and Transfers	375,000	375,000	-	0.00%
<b>Total Other Financing Sources</b>	<b>610,429</b>	<b>509,767</b>	<b>100,662</b>	<b>19.75%</b>
<b>Net Change in Fund Balances</b>	<b>\$ 64,000</b>	<b>\$ (12,513)</b>	<b>\$ 76,513</b>	<b>(611.47%)</b>

**Morgan County School District Re-3  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Changes in Fund Balance: 2018 to 2017 (continued)**

**Table 9: Preschool Department**

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Percent Change</u>
Revenues:				
Interest Income	\$ 24	\$ 18	\$ 6	33.33%
Intergovernmental	1,094		1,094	
Total Revenues	<u>1,118</u>	<u>18</u>	<u>1,100</u>	<u>6111.11%</u>
Expenditures:				
Instruction	401,705	523,942	(122,237)	(23.33%)
Supporting Services	98,410	113,503	(15,093)	(13.30%)
NonCapital Outlay	5,143	8,447	(3,304)	(39.11%)
Total Expenditures	<u>505,258</u>	<u>645,892</u>	<u>(140,634)</u>	<u>(21.77%)</u>
Excess of Expenditures over Revenues	(504,140)	(645,874)	141,734	(21.94%)
Allocations and Transfers	<u>537,780</u>	<u>626,811</u>	<u>(89,031)</u>	<u>(14.20%)</u>
Net Change in Fund Balances	<u>\$ 33,640</u>	<u>\$ (19,063)</u>	<u>\$ 52,703</u>	<u>(276.47%)</u>

The overall change in the six departments of the General Fund was a \$1,073,692 increase in fund balance. The General Fund Department (Table 4) reflected an increase in total program funding which consisted of a \$1,148,421 increase in state equalization and a \$593,821 increase in property and specific ownership tax. Intergovernmental revenue reflected an increase of \$820,001. The increased funding provided the resources to cover the \$1,497,330 in additional General Fund expenditures, allocations and transfers.

The overall funding increases for the General Fund Department also allowed an increase in General Fund Department fund balance of \$768,207.

**Morgan County School District Re-3  
 Management's Discussion & Analysis  
 For the Fiscal Year Ended June 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The Preschool Department (Table 9) reflected a reduction in instructional salaries and related benefits attributable to the decreased FTE salary allocated to the Program. That decrease directly correlates to the decreased number of preschool students enrolled under the CPP program and a corresponding increase in the identified CPP ECARE preschool students accounted for in the General Fund.

**Financial Analysis of the District's Funds**

Table 10  
Governmental Fund Balances

	2018	2017	Dollar Change	Percent Change
General	\$ 10,660,320	\$ 9,586,628	\$ 1,073,692	11.20%
Federal Programs	309,623	278,872	30,751	11.03%
Bond Redemption	2,819,781	2,715,081	104,700	3.86%
Building Fund	1,848,229	2,008,791	(160,562)	(7.99%)
Food Services Fund	707,574	693,838	13,736	1.98%
Total	<u>\$ 16,345,527</u>	<u>\$ 15,283,210</u>	<u>\$ 1,062,317</u>	<u>6.95%</u>

The material change from above was generated from the General Fund Department with a fund balance increase of \$768,207.

**Morgan County School District Re-3**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**General Fund Budgetary Highlights**

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a modified accrual basis. The most significant budgeted fund is the General Fund.

The District's 2017-2018 revenue was \$1,188,584 higher than the final budgeted projections. The State extended the one time rural funding for 2016-2017 of approximately \$500,000 for an additional year to 2017-2018. That additional funding accounted for about half of the additional revenue. Total General Fund actual expenditures were \$2,374,782 less than the final budgeted expenditures. Of the total expenditures, Instructional expenditures were 5.02% (\$805,413) lower than the final budget. Budgeted salary and benefits are estimated at full employment and actual salary and benefits reflects the changes in employment throughout the year which results in salary and benefit savings. Supporting Services had a greater budget savings which amounted to \$1,569,369. The majority of those savings were in the other support where the capital expenditures in the Mill Levy and Capital Reserve Departments were approximately \$1,200,000 less than the final budgeted amount which represents the earmarking of capital projects not completed during the year.

68.99% of the District's total program funding comes from State equalization funding.

**Morgan County School District Re-3  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2018**

**Capital Assets and Debt Administration**

**Table 11  
Capital Assets at June 30  
Net of Depreciation**

	Governmental Activities 2018	Governmental Activities 2017
Land	\$ 322,557	\$ 322,557
Construction in Progress	900,759	35,970,591
Buildings and improvements	84,081,685	50,677,235
Furniture and equipment	4,901,228	5,793,998
Vehicles	3,245,687	3,062,987
Total	<u>93,451,916</u>	<u>95,827,368</u>
Less accumulated depreciation	<u>(33,828,572)</u>	<u>(34,847,776)</u>
Totals	<u><u>\$ 59,623,344</u></u>	<u><u>\$ 60,979,592</u></u>

The District completed the construction of the new Middle School and the cost of the school was reclassified from construction in progress to buildings and improvements in 2017-2018. The District added an additional \$700,000 in construction in progress, which reflected the initial construction costs for the new Head Start wing addition at Sherman Early Childhood Center. The addition will be completed in 2018-2019.

In 2017-2018, the District contributed the school building known as the Old Middle School to a non-profit educational entity. Although the Old Middle School had outlived the fifty-year life expectancy for depreciation purposes, various building improvements made to the facility over the years had not exceed the life expectancy for depreciation purposes. The following represents the summary of the historical cost of the Old Middle School and the related accumulated depreciation over the life of the building:

Original and building improvement costs	\$ 4,074,808
Less accumulated depreciation	<u>(3,626,777)</u>
Net remaining capital asset	<u>\$ 448,031</u>

The net remaining capital asset balance (\$448,031) is reflected on page 22 in the Statement of Activities as a Special Item, Loss on Disposition of Capital Assets.

**Morgan County School District Re-3  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Capital Assets and Debt Administration (continued)**

***Long-Term Debt***

At June 30, 2018 the District had \$22,859,706 in long-term debt obligations. The bulk of this total is debt service on general obligation bonds issued by the District to finance its construction and modernization projects on District buildings.

The remaining \$389,706 in long-term obligations includes compensated absences recorded by the District at year end which was a \$24,186 net increase from the prior year. The District made its last payment under the Early Retirement Program in January 2018.

A summary of the District's long-term debt is as follows:

	<u>Year End</u>			Percent Change
	<u>2018</u>	<u>2017</u>	<u>Change</u>	
General Obligation Bonds	\$ 22,470,000	\$ 24,535,000	\$ (2,065,000)	(8.42%)
Bond Premium	2,459,236	2,774,633	(315,397)	(11.37%)
Early Retirement Leave	-	73,493	(73,493)	(100.00%)
Compensated Absences	389,706	365,520	24,186	6.62%
<b>Total</b>	<b><u>\$ 25,318,942</u></b>	<b><u>\$ 27,748,646</u></b>	<b><u>\$ (2,429,704)</u></b>	<b><u>(8.76%)</u></b>

Further information for capital assets and long-term debt is available in notes 5 to 9 in the financial statements.

**Morgan County School District Re-3  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2018**

**Factors Bearing on the District's Future**

The State of Colorado as well as the national economy has seen small continued improvement in economic activity which has resulted in increased revenues to the State's total budget outlook. The Colorado Department of Education has made preliminary projections that there will be some incremental funding for 2018-2019 compared to 2017-2018. That potential funding increase might include a third year of the rural school district funding and the possibility of increasing kindergarten funding from .58 FTE to 1.00 FTE. The District received a 13.9% premium increase for the health insurance provided to District employees for 2017-2018 and it is anticipated that the increase for 2019-2020 will be in the single digits.

In June 2017, the District was awarded a \$2,600,000 Capital Construction Grant from the Head Start program through the Department of Health and Human Services for the construction of a new Head Start wing to the Sherman Early Child Hood building, which houses the District's preschool and kindergarten programs. In conjunction with the Head Start grant, the District plans to add 2 additional classrooms to the Sherman Early ChildHood building as part of the same construction project at a cost to the District of approximately \$1,200,000. The new facilities are expected to be completed by November 2018.

With level or minimal funding increases from the State and rising costs, the District will continue to address cost containments to ensure that the District maintains adequate General Fund reserves.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Morgan County School District Re-3, 715 West Platte Ave., Fort Morgan, CO 80701.

**Morgan County School District Re-3**  
**Statement of Net Position**  
**June 30, 2018**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Investments	\$13,059,485
Restricted Investments	4,607,240
Receivable from Treasurer	144,776
Property Tax Receivable	478,992
Accounts Receivable	450,172
Intergovernmental Receivable	1,269,291
Prepaid Expenses	66,993
Inventory	104,424
Capital Assets	
Land	322,557
Construction In Progress	900,759
Other Capital Assets - Net of Accumulated Depreciation	58,400,028
<b>Total Assets</b>	<b>79,804,717</b>
Deferred Outflows of Resources	
Deferred Loss on Refunding Bonds	254,581
Other Postemployment Benefit Related Amounts	181,726
Pensions, Net of Accumulated Amortization	36,069,207
<b>Total Deferred Outflows of Resources</b>	<b>36,505,514</b>
<b>LIABILITIES</b>	
Accounts Payable	718,989
Due to Other Governments	327
Accrued Salaries and Benefits	2,669,464
Accrued Interest Payable	84,543
Retainage Payable	18,699
Unearned Revenue	207,643
Noncurrent Liabilities	
Due Within One Year	2,295,469
Due in More Than One Year	23,023,473
Net Pension Liability	119,522,027
Net Postemployment Benefit Liability	2,729,388
<b>Total Liabilities</b>	<b>151,270,022</b>
Deferred Inflows of Resources	
Other Postemployment Benefit Related Amounts	45,663
Pensions, Net of Accumulated Amortization	5,065,595
<b>Total Deferred Inflows of Resources</b>	<b>5,111,258</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	36,768,956
Restricted for	
Emergency Reserve (TABOR)	1,050,000
Mill Levy - Capital and Maintenance	659,475
Debt Service	2,801,026
Preschool	92,793
Unrestricted (Deficit)	(81,443,299)
<b>Total Net Position (Deficit)</b>	<b>(\$40,071,049)</b>

**Morgan County School District Re-3**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**

	PROGRAM REVENUES			NET (EXPENSE)
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGES IN NET POSITION
<u>FUNCTIONS/PROGRAMS</u>			CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
<b>PRIMARY GOVERNMENT</b>				
Governmental Activities				
Instruction	\$ 31,150,304	\$ 60,396	\$ 4,466,565	\$ (26,623,343)
Supporting Services	21,914,552	268,909	357,401	(20,552,235)
Food Services	2,214,270	201,483	1,537,818	(474,969)
Interest on Long-Term Debt	843,410			(843,410)
<b>Total Governmental Activities</b>	<b>\$ 56,122,536</b>	<b>\$ 530,788</b>	<b>\$ 6,361,784</b>	<b>\$ 736,007</b>
				<b>(48,493,957)</b>
<b>GENERAL REVENUES</b>				
Property and Specific Ownership Taxes				11,558,797
State Equalization				16,665,921
Insurance Proceeds				235,429
Miscellaneous				65,987
Interest Income				169,884
Special Item				
Loss on Disposition of Capital Assets				(448,031)
<b>TOTAL GENERAL REVENUES AND SPECIAL ITEM</b>				<b>28,247,987</b>
<b>CHANGE IN NET POSITION</b>				<b>(20,245,970)</b>
<b>NET POSITION - BEGINNING OF YEAR (DEFICIT)</b>				<b>(17,276,451)</b>
<b>GASB 75 RESTATEMENT ADJUSTMENT</b>				<b>(2,548,628)</b>
<b>NET POSITION - BEGINNING OF YEAR (DEFICIT) AS RESTATED</b>				<b>(19,825,079)</b>
<b>NET POSITION - END OF YEAR (DEFICIT)</b>				<b>\$ (40,071,049)</b>

**Morgan County School District Re-3**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General Fund	Federal Programs Fund	Bond Redemption Fund	Building Fund
<b>ASSETS</b>				
Cash and Investments	\$ 12,049,655	\$ 251,113		
Restricted Investments			\$ 2,737,372	\$ 1,869,868
Receivable from Treasurer	124,245		20,531	
Property and S.O. Tax Receivable	359,368		119,624	
Accounts Receivable	424,349			12,962
Intergovernmental Receivables	453,755	795,492		
Interfund Receivable	214,062	165,934	8,042	15,000
Prepaid Expenditures	62,679	3,566		
Inventory	68,822			
<b>Total Assets</b>	<u>\$ 13,756,935</u>	<u>\$ 1,216,105</u>	<u>\$ 2,885,569</u>	<u>\$ 1,897,830</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 287,184	\$ 377,106		\$ 49,601
Accrued Salaries and Benefits	2,468,499	186,567		
Due to Other Governments		327		
Interfund Payables	185,996	116,140		
Unearned Revenue		207,643		
Retainage Payable	-	18,699		
<b>Total Liabilities</b>	<u>2,941,679</u>	<u>906,482</u>	<u>-</u>	<u>49,601</u>
<b>Deferred Inflows of Resources</b>				
Taxes	154,936		65,788	
<b>Total Deferred Inflows of Resources</b>	<u>154,936</u>	<u>-</u>	<u>65,788</u>	<u>-</u>
<b>Fund Balances:</b>				
<b>Nonspendable</b>				
Prepaid Expenditures	62,679	3,566		
Inventory	68,822			
<b>Restricted</b>				
Emergency Reserve (TABOR)	1,050,000			
Capital Construction				1,848,229
Mill Levy - Capital and Maintenance	648,103			
Debt Service			2,819,781	
Preschool	92,617			
<b>Assigned</b>				
Subsequent Year's Budget	8,040			
Food Service				
Capital Projects/Replacements	1,470,514			
District Grant Funding Set Aside		306,057		
Unassigned	7,259,545			
<b>Total Fund Balances</b>	<u>10,660,320</u>	<u>309,623</u>	<u>2,819,781</u>	<u>1,848,229</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 13,756,935</u>	<u>\$ 1,216,105</u>	<u>\$ 2,885,569</u>	<u>\$ 1,897,830</u>

Amounts reported for governmental activities in the statement of net position are different

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Certain long-term assets, including property taxes, are not available to pay current year expenditures and, therefore, are deferred in the funds.

Long-term liabilities and related items including bonds payable (\$22,470,000), bond premium (\$2,459,236), accrued interest payable (\$84,543), deferred loss on bond refunding \$254,581, compensated absences (\$389,706), net pension liability (\$119,522,027), other postemployment benefit liabilities (2,729,388), pension-related deferred outflows of resources \$36,069,207, other postemployment benefit deferred outflows of resources \$181,726, pension-related deferred inflows of resources (\$5,065,595), other postemployment deferred inflows of resources (\$45,663) are not due and payable in the current period and therefore are not reported in the funds.

Total Net position of governmental activities

The accompanying notes are an integral part of the basic financial statements.

Nonmajor Food Service Fund	Total Governmental Funds
\$ 758,717	\$ 13,059,485
	4,607,240
	144,776
	478,992
11,992	449,303
20,044	1,269,291
10	403,048
748	66,993
35,602	104,424
<u>\$ 827,113</u>	<u>\$ 20,583,552</u>

\$ 4,081	\$ 717,972
14,398	2,669,464
	327
101,060	403,196
	207,643
	18,699
<u>119,539</u>	<u>4,017,301</u>

	220,724
<u>-</u>	<u>220,724</u>

748	66,993
35,602	104,424
	1,050,000
	1,848,229
	648,103
	2,819,781
	92,617
100,731	108,771
570,493	570,493
	1,470,514
	306,057
	7,259,545
<u>707,574</u>	<u>16,345,527</u>

\$ 827,113

59,623,344

220,724

(116,260,644)

\$ (40,071,049)

**Morgan County School District Re-3**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2018**

	<u>General</u>	<u>Federal Programs Fund</u>	<u>Bond Redemption Fund</u>	<u>Building Fund</u>
Revenues:				
Property Taxes	\$ 7,380,621		\$ 3,226,370	
Specific Ownership Taxes	1,076,762			
Intergovernmental	2,656,069	\$ 2,951,275		
State Equalization	16,665,921			
Interest Income	133,866	306	8,457	\$ 23,921
Other	336		29	
Local Sources	404,346	80,112		
Total Revenues	<u>28,317,921</u>	<u>3,031,693</u>	<u>3,234,856</u>	<u>23,921</u>
Expenditures:				
Current				
Instruction	15,046,543	1,081,786		
Supporting Services	11,184,082	1,266,226	5,000	
Food Services				
Debt Service				
Principal			2,065,000	
Interest			1,060,156	
Non Capital Outlay	420,996	16,605		
Capital Outlay	728,354	736,008		184,483
Total Expenditures	<u>27,379,975</u>	<u>3,100,625</u>	<u>3,130,156</u>	<u>184,483</u>
Excess (Deficiency) of Revenues over Expenditures	<u>937,946</u>	<u>(68,932)</u>	<u>104,700</u>	<u>(160,562)</u>
Other Financing Sources (Uses):				
Insurance Proceeds	235,429			
Transfers In		99,683		
Transfers Out	<u>(99,683)</u>			
Total Other Financing Sources (Uses)	<u>135,746</u>	<u>99,683</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,073,692	30,751	104,700	(160,562)
Fund Balances - Beginning of the Year	<u>9,586,628</u>	<u>278,872</u>	<u>2,715,081</u>	<u>2,008,791</u>
Fund Balances - End of the Year	<u>\$ 10,660,320</u>	<u>\$ 309,623</u>	<u>\$ 2,819,781</u>	<u>\$ 1,848,229</u>

The accompanying notes are an integral part of the basic financial statements.

Nonmajor Food Service Fund	Total Governmental Funds
	\$ 10,606,991
	1,076,762
\$ 1,537,818	7,145,162
	16,665,921
3,334	169,884
45,624	45,989
201,723	686,181
<u>1,788,499</u>	<u>36,396,890</u>
	16,128,329
	12,455,308
1,748,287	1,748,287
	2,065,000
	1,060,156
26,476	464,077
	1,648,845
<u>1,774,763</u>	<u>35,570,002</u>
<u>13,736</u>	<u>826,888</u>
	235,429
	99,683
	<u>(99,683)</u>
-	<u>235,429</u>
13,736	1,062,317
693,838	15,283,210
<u>\$ 707,574</u>	<u>\$ 16,345,527</u>

**Morgan County School District Re-3  
Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Fiscal Year Ended June 30, 2018**

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances of Governmental Funds.	\$	1,062,317
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. In addition, the net gain or loss resulting from the sale or disposal of assets is reflected as income or expenses in the statement of activities but that gain or loss is not recorded on the governmental fund financial statements.</p>		
Depreciation expense	\$ (2,607,573)	
Net capital outlays	1,699,356	
Net book value of assets retired	<u>(448,031)</u>	(1,356,248)
<p>Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items as follows:</p>		
Amortization of bond premium	315,397	
Amortization of deferred loss on refunding bonds	<u>(106,258)</u>	209,139
<p>Repayments of bond principal and repayments of other long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not effect the statement of activities. The following summarizes the District's bond and other long-term debt transactions for the fiscal year:</p>		
Repayment of bond principal		2,065,000
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount represents the change in accrued interest payable.</p>		
		7,607
<p>In the statement of activities, certain operating expenses - compensated absences (sick leave and early retirement), net pension and OPEB liability, and related deferred inflows and outflows are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). These amounts represent the net effect of compensated absences payable, early retirement, pension and OPEB liability and related deferred inflows and outflows reported on the statement of activities.</p>		
Compensated absences	(24,186)	
Early retirement	73,493	
Change in the net pension liability	(12,258,359)	
Change in the net other postemployment benefit liability	(73,613)	
Change in pension related deferred outflows	(5,613,097)	
Change in other postemployment benefit related deferred outflows	74,579	
Change in pension related deferred inflows	(4,059,217)	
Change in other postemployment benefit related deferred inflows	<u>(45,663)</u>	(21,926,063)
<p>Some revenues reported in the statement of activities do not provide current financial resources, and are therefore deferred in governmental funds.</p>		
Change in deferred grant revenue		(182,766)
Change in deferred property taxes		<u>(124,956)</u>
Change in net position of governmental activities.	\$	<u>(20,245,970)</u>

The accompanying notes are an integral part of the basic financial statements.

**Morgan County School District Re-3**  
**Statement of Fiduciary Net Position**  
**June 30, 2018**

	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and Investments	\$ 150,783	\$ 690,081
Prepaid Expenses	-	389
Accounts Receivable	29	1,443
	<hr/>	<hr/>
Total Assets	150,812	\$ 691,913
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Due To Student/Community Organizations		\$ 401,719
Funds Held for Others		274,835
Accounts Payable		15,359
		<hr/>
Total Liabilities	-	\$ 691,913
		<hr/>
<b>NET POSITION</b>		
Held in Trust for Scholarships/Students	64,319	
Held in Trust for Endowments	86,493	
	<hr/>	
Total Net Position	\$ 150,812	
	<hr/>	

The accompanying notes are an integral part of the basic financial statements.

**Morgan County School District Re-3**  
**Statement of Changes in**  
**Fiduciary Net Position**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Private-Purpose Trust Fund</u>
Additions	
Contributions and Donations	\$ 226,450
Interest Income	445
Total Additions	<u>226,895</u>
Deductions:	
Scholarship Awards	<u>197,106</u>
Change in Net Position	29,789
Net Position - Beginning of the Year	<u>121,023</u>
Net Position - End of the Year	<u><u>\$ 150,812</u></u>

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE (1) Summary of Significant Accounting Policies**

The financial statements of Morgan County School District Re-3 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant District accounting policies are described below.

**(A) Reporting Entity**

The financial reporting entity consists of the District, organizations for which the District is financially accountable and organizations that raise and hold economic resources for the direct benefit of the District. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. Legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the District.

Based upon the application of this criteria, no additional organizations are includable within the District's reporting entity.

**(B) Fund Accounting**

The District uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE (1) Summary of Significant Accounting Policies (continued)**

**(B) Fund Accounting (continued)**

Funds are classified into two categories: Governmental and Fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), the servicing of general long-term debt (debt service funds) and the reporting of major capital construction projects, (capital projects funds). The following are the District's major governmental funds:

General Fund – The General Fund is the District's general operating fund and is used to account for all financial transactions except those accounted for in another fund. Major revenue sources include local property taxes, specific ownership taxes, and State of Colorado equalization funding, as determined by the School Finance Act of 1994, as amended. Primary expenditures are for instruction and supporting services (including students, instructional staff, general and school administration, operations and maintenance, student transportation, business supporting services and central supporting services).

Federal Programs Fund – This fund maintains a separate accounting for programs funded by federal, state and local grants.

Bond Redemption Fund – The District has one debt service fund, the Bond Redemption Fund. This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund's primary revenue source is local property taxes levied specifically for debt service.

Building Fund – This fund was created to account for the proceeds from the District's voter approved 2014 and 2015 bond issues and the related construction expenditures for major infrastructure improvements at three of the District's elementary schools, secure access improvements at all District schools and the construction of a new Middle School.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE (1) Summary of Significant Accounting Policies (continued)**

Fiduciary Funds – Fiduciary fund reporting focuses on net position and changes in net position. These funds account for resources received and held by the District in a fiduciary capacity. The funds included in this category are:

Private-Purpose Trust Fund

This fund accounts for resources held by the District that can be expended as outlined in the original documents creating the Fund. The Fund expenses are used for student scholarships.

Agency Funds

The Agency Fund is custodial in nature and does not present results of operations or a measurement focus. Agency Funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity. The High School Student Activity Fund and the District's Student Activity Fund are reported in the Agency Fund.

**(C) Basis of Presentation**

**District-wide Financial Statements** – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government except for fiduciary funds that are fiduciary in nature. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities are normally supported by taxes and intergovernmental revenues.

The district-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the district-wide statements and governmental funds.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE (1) Summary of Significant Accounting Policies (continued)**

**(C) Basis of Presentation (continued)**

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position and the Statement of Activities have been eliminated.

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues, are presented as general revenues of the District (including all taxes), with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements** – Fund financial statements report detailed information about the District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE (1) Summary of Significant Accounting Policies (continued)**

**(C) Basis of Presentation (continued)**

Trust funds are reported using the economic resources measurement focus.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

**(D) Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

**Revenues – Exchange and Non-exchange Transactions** Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end except for federal and state grants for which a one hundred fifty day period is used.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from Property Taxes are recognized in the fiscal year for which the taxes are levied. See Note 3. State equalization monies are recognized as revenues during the period in which they are appropriated. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE (1) Summary of Significant Accounting Policies (continued)**

**(D) Basis of Accounting (continued)**

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, interest, tuition, and student fees collected within sixty days after year-end.

**Unearned Revenue** - Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant money is received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

**Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported as an expense/expenditure with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**(E) Estimates**

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

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2018**

NOTE (1) **Summary of Significant Accounting Policies (continued)**

**(F) Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are as interfund receivables or interfund payables on the fund financial statements.

**(G) Inventories**

Food Services Fund purchased inventories are stated at cost as determined by the first-in, first-out (FIFO) method. Commodity inventories are stated at the USDA's assigned values, which approximate fair value, at the date of receipt. Expenditures for food items are recorded when used. The federal government donates surplus commodities to supplement the National School Lunch Program. Commodity contributions used by the District are recorded as revenues at the date of their consumption. Inventory in the General Fund, valued at cost as determined by the first-in, first-out (FIFO) method, consists of expendable supplies held for consumption.

**(H) Capital Assets**

Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at the acquisition value on the date received.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
June 30, 2018

**NOTE (1) Summary of Significant Accounting Policies (continued)**

**(H) Capital Assets (continued)**

The District maintains a capitalization threshold of five thousand dollars (\$5,000). The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Interest accrued during construction is not capitalized in governmental funds.

All reported capital assets are depreciated (excluding land, water rights and construction in progress). Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	7-50 Years
Furniture and Equipment	5-20 Years
Vehicles	8 years

**(I) Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements.

However, claims and judgments that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**(J) Bond Premiums and Issuance Costs**

In the government-wide financial statements, bond premiums are amortized over the life of the bonds using the straight line method. Bond issuance costs are reported as current expenses. Losses from bond refunding are deferred and amortized over the term of the related debt.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE (1) Summary of Significant Accounting Policies (continued)**

**(J) Bond Premiums and Issuance Costs (continued)**

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

**(K) Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District reports the deferred loss on refunding in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items (property taxes and grants) which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred inflows of resources are reported in the governmental funds balance sheet for property taxes and grants not as available as current financial resources.

**(L) Pensions and Postemployment Benefits  
Other Than Pensions (OPEB)**

**Pensions**

The District participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA).

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE (1) Summary of Significant Accounting Policies (continued)**

**Pensions (continued)**

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**Other Postemployment Benefits (OPEB)**

The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position, and additions to and deductions from the HCTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

**(M) Fund Balances**

Fund balances are reported in classifications based on the extent to which the District is bound to honor constraints for the specific purposes on which amount in the fund can be spent. Fund balances are classified into one of five categories: nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance represents assets that will never be converted to cash. Restricted fund balances reflect resources that are subject to externally enforceable legal restrictions.

The Board of Education, the Superintendent and the Chief Financial Officer have the authority given to them by Board resolution to assign amounts for specific purposes. Assigned fund balance displays the District's intended use of these resources. Unassigned fund balance for the general fund represents the net resources in excess of the prior classifications. It is the District's intent to use restricted amounts first then committed, assigned and unassigned fund balances sequentially.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE (1) Summary of Significant Accounting Policies (continued)**

**(N) Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are constraints imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**(O) Inter fund Transactions**

Quasi-external transactions are accounted for as revenue or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

**(P) Compensated Absences/Early Retirement Program**

Leave for District employees includes both vacation and sick leave. Leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon termination, employees are paid full value for any accrued vacation leave not to exceed 40 days of entitlement as set forth by the agreements. Sick leave is paid to employees who have accumulated sick leave and who have been with the District for more than 20 years or 9 years for Administrators at a rate determined by agreement.

Early retirement is paid to employees meeting specific notification and length of service requirements (see Note 7). The liability is recorded once the benefit is accepted by the employee. The program was terminated by the Board of Education effective June 30, 2017 and the last payment under the plan was paid January 2018.

These compensated absences are recognized as expenditures when paid in the governmental funds. A long-term liability has been reported in the government wide financial statements for the accrued compensated absences and early retirement program.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE (2) Cash and Investments**

**(A) Cash and Deposits**

Custodial Credit Risk – Deposits Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. However, the Colorado State statutes govern the District's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulations to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name.

The market value of the assets in the pool must be at least equal to 102% of the uninsured deposits. At June 30, 2018, the District had bank deposits of \$4,918,217 collateralized with securities held by the financial institutions agents but not in the District's name.

**(B) Investments**

Interest Rate Risk The District has an investment goal that limits investment maturities to five years or less, as a means of managing its exposure to fair value loss resulting from increasing interest rates. The Colorado revised statutes also limit investment maturities to five years or less. All investments are carried at fair value. The District's Policy on investments lists the following objectives:

- Safety of Funds
- Funds are available when needed
- Earn a market rate
- Invest according to state law
- Invest locally if possible

Credit Risk Colorado State Statutes authorize the District to invest in obligations of the U. S. Treasury and its agencies. In addition, the District can invest in obligation of instrumentalities, commercial paper, repurchase agreements, money market funds and local government investment pools with specific ratings.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
June 30, 2018

**NOTE (2) Cash and Investments (continued)**

State law further limits investments in money market funds to those institutions with over \$1 billion in assets or the highest credit rating from one or more of a nationally recognized rating agency. The COLOTRUST investment is rated AAAM by Standard and Poor's. CSAFE investment is rated AAAM by Standard and Poor's. The Federated Government Obligation Money Market Fund is rated AAAM by Standard and Poor's.

Local government investment pools include the Colorado Local Government Liquid Asset Trust (COLOTRUST) and the Colorado Surplus Asset Fund Trust (CSAFE). The pools operate in conformity with the Securities and Exchange Commission's Rule 2a7, with each share valued at \$1.00. COLOTRUST and CSAFE are regulated by the State of Colorado, Department of Regulatory Agencies, Division of Securities, which establishes policies for and reviews the operation of local government investment pools in the state.

Fair Value Measurements - At June 30, 2018, the District's investments in the local government investment pools and money market fund were reported at the net asset value per share.

The District invested in COLOTRUST and CSAFE throughout the fiscal year. At June 30, 2018 the District had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Total</u>
COLOTRUST	Less than one year	\$ 5,635,943
CSAFE	Less than one year	4,669,848
Federated Government Obligation Money Market Fund	Less than one year	2,737,372
<b>Total</b>		<b><u><u>\$ 13,043,163</u></u></b>

The cash held in the money market fund (\$2,737,372) is required to be used for the payment of long term Debt (see Note 9) and \$1,704,761 held in CSAFE is required to be used for capital construction. In addition, the District has \$165,107 on deposit with the Colorado Department of Education Capital Construction Division that is to be used for the ongoing construction of the new Middle School.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
June 30, 2018

**NOTE (2) Cash and Investments (continued)**

The following is a summary of the cash and investments held in each individual fund:

	<u>Investments</u>	<u>Cash</u>	<u>Total Cash &amp; Investments</u>
Combined General Fund			
General Department	\$ 7,494,789	\$ 2,321,265	\$ 9,816,054
Mill Levy Department	729,620	36,786	766,406
Daycare Department	7,763	112,105	119,868
Capital Reserve Department	1,443	1,015,383	1,016,826
Insurance Department	31,719	173,205	204,924
Colorado Preschool Department	1,161	124,416	125,577
Total Combined General Fund	<u>8,266,495</u>	<u>3,783,160</u>	<u>12,049,655</u>
Federal Programs Fund	21,132	229,981	251,113
Bond Redemption Fund	2,737,372		2,737,372
Building Fund	1,704,761	165,107	1,869,868
Food Services Fund	230,178	528,539	758,717
Private Purpose Trust Fund		150,783	150,783
Agency Fund	83,225	606,856	690,081
Total Cash and Investments	<u>13,043,163</u>	<u>5,464,426</u>	<u>18,507,589</u>
Less Cash Held By Third Parties			
General Fund Department			
BEST Health Trust (See Note 15)		(500,000)	(500,000)
Building Fund			
CDE Capital Construction Division		(165,107)	(165,107)
Total Cash and Investments Held By District	<u>\$ 13,043,163</u>	<u>\$ 4,799,319</u>	<u>\$ 17,842,482</u>

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
June 30, 2018

**NOTE (3) Property Taxes**

Property taxes attach as an enforceable lien on January 1, are certified on December 15 and are levied on property the following January 1. They are payable in full by April 30 or are due in two equal installments on February 28 and June 15. Morgan County bills and collects property taxes for all taxing entities within the county. The property tax receipts collected by the county are remitted to the District in the subsequent month.

**NOTE (4) Interfund Balances and Transactions**

The District reports interfund balances between many of its funds. These balances result from a time lag between the dates interfund goods and services are provided or reimbursable expenditures occur and payments between funds occur. On the fund financial statements, interfund receivables and payables as of June 30, 2018 consist of the following:

	Interfund Receivables	Interfund Payables
General Fund		
General Fund Department	\$ 202,810	\$ 173,944
Mill Levy Maintenance	10,158	-
Daycare		1,854
Capital Reserve		10,158
Colorado Preschool Department	1,094	40
Total General Fund	214,062	185,996
Federal Programs Fund	165,934	116,140
Bond Redemption Fund	8,042	-
Building Fund	15,000	
Food Service Fund	10	101,060
Total Governmental Funds	403,048	403,196
Pupil Activity Fund	1,017	869
Total	\$ 404,065	\$ 404,065

The interfund transfers for the fiscal year ended June 30, 2018 are as follows:

	Transfers In	Transfers Out
<u>Governmental Funds:</u>		
General Fund		\$ 99,683
Federal Programs	\$ 99,683	

The General Fund transferred funds to the Federal Programs Fund for the benefit of the Gifted and Talented Program and the Teen Parent Center Program.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
June 30, 2018

**NOTE (5) Capital Assets**

For the year ended June 30, 2018, the District charged \$2,083,806 and \$523,767 in depreciation expense to Instruction and Supporting Services respectively. The loss on disposition of capital assets of \$448,031 (below) as reported in the Statement of Net Assets represents the disposal of the District's old Middle School upon completion of the BEST grant funded new Middle School. Activity of depreciated capital assets for the fiscal year ended June 30, 2018, is as follows:

**Governmental Activities**

	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
Non-depreciable capital assets:				
Land and Water Rights	\$ 322,557	\$ -	\$ -	\$ 322,557
Construction in Progress	35,970,591	887,975	(35,957,807)	900,759
<b>Total Non-depreciable Assets</b>	<b>36,293,148</b>	<b>887,975</b>	<b>(35,957,807)</b>	<b>1,223,316</b>
<b>Capital Assets Being Depreciated</b>				
Buildings and improvements	50,677,235	36,586,488	(3,182,038)	84,081,685
Furniture and Equipment	5,793,998		(892,770)	4,901,228
Vehicles	3,062,987	182,700	-	3,245,687
<b>Total Capital Assets Being Depreciated</b>	<b>59,534,220</b>	<b>36,769,188</b>	<b>(4,074,808)</b>	<b>92,228,600</b>
Less accumulated depreciation for:				
Buildings and improvements	(28,893,826)	(2,115,766)	2,980,579	(28,029,013)
Furniture and Equipment	(3,306,470)	(376,935)	646,198	(3,037,207)
Vehicles	(2,647,480)	(114,872)	-	(2,762,352)
<b>Total Accumulated Depreciation</b>	<b>(34,847,776)</b>	<b>(2,607,573)</b>	<b>3,626,777</b>	<b>(33,828,572)</b>
<b>Total Capital Assets Being Depreciated</b>	<b>24,686,444</b>	<b>34,161,615</b>	<b>(448,031)</b>	<b>58,400,028</b>
<b>Net Capital Assets Governmental Activities</b>	<b>\$ 60,979,592</b>	<b>\$ 35,049,590</b>	<b>\$ (36,405,838)</b>	<b>\$ 59,623,344</b>

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
June 30, 2018

**NOTE (6) Accrued Salaries and Benefits**

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately ten months. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements. At June 30, 2018, accrued salaries and benefits were as follows:

General Fund	
General Fund Department	\$ 2,410,834
Mill Levy Department	9,310
Daycare Department	15,060
Colorado Preschool Department	33,295
Total General Fund	2,468,499
Federal Programs Fund	186,567
Food Service Fund	14,398
Total Governmental Activities	\$ 2,669,464

**NOTE (7) Early Retirement Leave**

The District offered an Early Retirement Incentive Program to all staff who have more than 20 years of service in the District. The District has terminated the early retirement leave program and the January 1, 2018 payment, in the amount of \$73,493, was the last payment made under the program.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
June 30, 2018

**NOTE (8) Changes in Long – Term Debt**

The changes in governmental activities long-term debt for the year ended June 30, 2018, are as follows:

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018	Due Within One Year
Bonds Payable	\$ 24,535,000		\$ 2,065,000	\$ 22,470,000	\$ 2,155,000
Bond Premium	2,774,633		315,397	2,459,236	
Early Retirement Program	73,493		73,493		
Compensated Absences	365,520	248,731	224,545	389,706	140,469
<b>Totals</b>	<u>\$ 27,748,646</u>	<u>\$ 248,731</u>	<u>\$ 2,678,435</u>	25,318,942	<u>\$ 2,295,469</u>
Less Amount Due Within One Year				<u>(2,295,469)</u>	
Due in More Than One Year				<u>\$ 23,023,473</u>	

Compensated absences will be liquidated by the General Fund.

**NOTE (9) Bonds Payable**

**Bonds Payable, 2007 Series**

In December 2007, the District issued \$9,100,000 of general obligation refunding bonds. The bonds were used to provide funds to establish an irrevocable trust escrow to advance refund \$9,345,000 of the District's outstanding 1999 general obligation bonds

The bonds mature on December 1, commencing December 1, 2010, with interest payable semi-annually on June 1 and December 1 commencing December 1, 2007. The bonds are not subject to early redemption and the final bond matures on December 1, 2018.

The General Obligation Refunding Bonds are summarized as follows:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal Maturing For Year</u>	<u>Interest Requirement</u>	<u>Total</u>
2018-2019	5.25%	<u>\$ 1,195,000</u>	<u>\$ 31,369</u>	<u>\$ 1,226,369</u>

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
June 30, 2018

Bonds Payable, 2011 Series

In October 2011, the District issued \$6,020,000 (Series 2011) of general obligation refunding bonds. The bonds were used to provide funds to establish an irrevocable trust escrow to advance refund \$6,120,000 of the District's outstanding 2004 general obligation bonds.

The bonds mature on December 1 commencing December 1, 2015, with interest payable semiannually on June 1 and December 1 commencing December 1, 2011. The bonds are not subject to early redemption and the final bond matures on December 1, 2021. The General Obligation Refunding Bonds are summarized as follows:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal Maturing For Year</u>	<u>Interest Requirement</u>	<u>Total</u>
2018-2019	4.00%	\$ 395,000	\$ 219,500	\$ 614,500
2019-2020	4.00%	1,440,000	182,800	1,622,800
2020-2021	5.00%	1,500,000	116,500	1,616,500
2021-2022	5.00%	1,580,000	39,500	1,619,500
		<u>\$ 4,915,000</u>	<u>\$ 558,300</u>	<u>\$ 5,473,300</u>

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
June 30, 2018

**NOTE (9) Bonds Payable (continued)**

Bonds Payable, 2014 Series

In March 2014, the District issued \$7,180,000 in general obligation bonds for the purpose of providing secure entrances at all District schools and infrastructure improvements at three of the District's elementary schools.

The general obligation bonds, series 2014, dated March 5, 2014, mature on December 1 with interest payable semi-annually on June 1 and December 1 commencing June 1, 2014. The bonds mature on December 1, 2026 and are subject to optional call on December 1, 2023 at par plus accrued interest.

The General Obligation Bonds are summarized as follows:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal Maturing For Year</u>	<u>Interest Requirement</u>	<u>Total</u>
2018-2019	3.00%	\$ 170,000	\$ 244,424	\$ 414,424
2019-2020	3.50%	405,000	234,787	639,787
2020-2021	3.50%	415,000	220,437	635,437
2021-2022	4.00%	425,000	205,737	630,737
2022-2023	4.00%	940,000	181,850	1,121,850
2022-2027	4.00%	4,135,000	338,900	4,473,900
		<u>\$ 6,490,000</u>	<u>\$ 1,426,135</u>	<u>\$ 7,916,135</u>

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
June 30, 2018

**NOTE (9) Bonds Payable (continued)**

Bonds Payable, 2015 Series

In February 2015, the District issued \$11,090,000 in general obligation bonds for the purpose of building a new Middle School. The bond proceeds represented the District's required matching funds for the Colorado Department of Education BEST Capital Construction Grant that the District was awarded in 2014.

The general obligation bonds, series 2015, dated February 12, 2015, mature on December 1 with interest payable semi-annually on June 1 and December 1 commencing June 1, 2014. The bonds mature on December 1, 2034 and are subject to optional call on December 1, 2024 at par plus accrued interest.

The General Obligation Bonds are summarized as follows:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal Maturing For Year</u>	<u>Interest Requirement</u>	<u>Total</u>
2018-2019	3.00%	\$ 395,000	\$ 471,475	\$ 866,475
2019-2020	3.50%	410,000	459,400	869,400
2020-2021	3.50%	420,000	442,750	862,750
2021-2022	5.00%	440,000	421,250	861,250
2022-2023	5.00%	465,000	398,625	863,625
2023-2028	5.00%	2,685,000	1,612,625	4,297,625
2028-2033	5.00%	3,430,000	852,000	4,282,000
2033-2035	5.00%	1,625,000	82,125	1,707,125
		<u>\$ 9,870,000</u>	<u>\$ 4,740,250</u>	<u>\$ 14,610,250</u>

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note (10) Defined Benefit Pension Plan**

**General Information**

*Plan Description* – The District contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the District participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits Provided* – The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary over three years multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note (10) Defined Benefit Pension Plan (continued)**

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

*Contributions* – The District and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The District's contribution rate for calendar years 2017 and 2018 was 19.65% and 20.15% of covered salaries, respectively. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 8). The District's contributions to the SDTF for the year ended June 30, 2018, were \$3,494,265, equal to the required contributions.

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

At June 30, 2018, the District reported a net pension liability of \$119,522,027 representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

The District's proportion of the net pension liability was based on the District's contributions to the SDTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.3696201719%, which was an increase of 0.0093590478% from its proportion measured at December 31, 2016.

During the 2018 legislative session, the State Legislature passed Senate Bill (SB) 18-200 with the goal of eliminating the unfunded pension liability of the SDTF within the next 30 years. The significant provisions of the legislation include increased age and service requirements to receive full retirement benefits, highest average salary calculated over five years rather than three years, changes to includable employee salaries, increased contributions from employees and employers, and an annual direct distribution from the State of Colorado.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
June 30, 2018

**Note (10) Defined Benefit Pension Plan (continued)**

The District's estimated net pension liability at June 30, 2018, had the provisions of SB 18-200 been effective was \$53,999,016.

For the year ended June 30, 2018, the District recognized pension expense of \$25,261,776. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,197,501	\$
Changes of assumptions and other inputs	30,518,410	193,668
Net difference between projected and actual earnings on plan investments		4,693,743
Changes in proportion	1,248,783	178,184
Contributions subsequent to the measurement date	<u>2,104,513</u>	
Total	<u>\$36,069,207</u>	<u>\$5,065,595</u>

District contributions subsequent to the measurement date of \$2,104,513 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2019	\$19,182,874
2020	11,171,499
2021	310,527
2022	<u>(1,765,802)</u>
Total	<u>\$28,899,099</u>

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
June 30, 2018

**Note (10) Defined Benefit Pension Plan (continued)**

*Actuarial Assumptions* – The actuarial valuation as of December 31, 2016, determined the total pension liability using the following actuarial assumptions and other inputs.

Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate <sup>1</sup>	5.26%
Post-retirement benefit increases:	
Hired prior to 1/1/07	2%
Hired after 12/31/06	ad hoc

<sup>1</sup>The discount rate reflected in the roll-forward calculation of the total pension liability to the measurement date was 4.78%.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, which were effective on December 31, 2016. The significant changes affecting the plan included decreasing the investment rate of return assumption from 7.5% per year, compounded annually, net of investment expenses, to 7.25%, and updating mortality assumptions based on RP-2014 mortality tables.

The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
June 30, 2018

**Note (10) Defined Benefit Pension Plan (continued)**

These ranges were 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 then adding expected inflation.

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	<u>100.00%</u>	

*Discount Rate* – The discount rate used to measure the total pension liability was 4.78%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

Based on the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
June 30, 2018

**Note (10) Defined Benefit Pension Plan (continued)**

The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2017, the municipal bond index rate was 3.43%, resulting in a discount rate of 4.78%. The discount rate at the prior measurement date was 5.26%.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.78%, as well as the District's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (3.78%) or one percentage point higher (5.78%) than the current rate, as follows:

	<u>1% Decrease (3.78%)</u>	<u>Current Discount Rate (4.78%)</u>	<u>1% Increase (5.78%)</u>
Proportionate share of the net pension liability	<u>\$150,976,648</u>	<u>\$119,522,027</u>	<u>\$93,890,103</u>

*Pension Plan Fiduciary Net Position* - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note (11) Postemployment Healthcare Benefits**

**General Information**

*Plan Description* – All employees of the District are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits Provided* – The HCTF provides a healthcare premium subsidy to eligible benefit recipients and retirees who choose to enroll. Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member's years of service credit.

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. An additional subsidy is provided if the benefit recipient has not participated in Social Security and is not otherwise eligible for Medicare Part A. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

*Contributions* – As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the District's contributions to the School Division Trust Fund (SDTF) (See Note 10) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The District's apportionment to the HCTF for the year ended June 30, 2018, was \$179,039, equal to the required amount.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
June 30, 2018

**Note (11) Postemployment Healthcare Benefits (continued)**

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At June 30, 2018, the District reported a net OPEB liability of \$2,729,388, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017.

The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.2100175754%, which was an increase of 0.0051811015% from its proportion measured at December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$224,136. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,909	\$
Net difference between projected and actual earnings on plan investments		45,663
Changes in proportion	56,144	
Contributions subsequent to the measurement date	<u>112,673</u>	
Total	<u>\$181,726</u>	<u>\$45,663</u>

District contributions subsequent to the measurement date of \$112,673 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
June 30, 2018

**Note (11) Postemployment Healthcare Benefits (continued)**

Year Ended June 30,

2019	\$2,151
2020	2,151
2021	2,151
2022	2,151
2023	13,566
2024	1,220
Total	\$23,390

*Actuarial Assumptions* – The actuarial valuation as of December 31, 2016, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.0%
Medicare plans	5.0%
Medicare Part A premiums:	
3% for 2017, gradually rising to 4.25% in 2023	

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Health care cost trend rates are based on published annual health care inflation surveys in conjunction with actual plan experience, building block models and heuristics developed by actuaries and administrators, and other projected trends.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note (11) Postemployment Healthcare Benefits (continued)**

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed by PERA's actuary as needed.

The long-term expected rate of return on the HCTF investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were 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 then adding expected inflation.

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously in Note 10.

*Discount Rate* – The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the current contribution rate. Based on this assumption, the HCTF's fiduciary net position was projected to be available to make all projected future OPEB payments to current active and inactive employees. Therefore, the long-term expected rate of return on HCTF investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* – The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as the District's proportionate share of the net OPEB liability if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
June 30, 2018

**Note (11) Postemployment Healthcare Benefits (continued)**

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net OPEB liability	<u>\$3,068,691</u>	<u>\$2,729,388</u>	<u>\$2,439,785</u>

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the District’s proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 3% to 5%, as well as the District’s proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Proportionate share of the net OPEB liability	<u>\$2,654,292</u>	<u>\$2,729,388</u>	<u>\$2,819,837</u>

*OPEB Plan Fiduciary Net Position* – Detailed information about the HCTF’s fiduciary net position is available in PERA’s separately issued financial report, which may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE (12) Jointly Governed Organization**

The District participates in Centennial Board of Cooperative Education Services. Membership allows the District to provide special and extended services to the students of the District that previously were not economically possible. Centennial BOCES receives funding from local, state, and federal sources to provide a portion of the direct costs of each program, as well as billing the member districts for services provided. For the year ended June 30, 2018, the District paid \$231,884 for those services which included \$42,889 paid for administrative services. Separate financial statements for the BOCES are available at 2020 Clubhouse Drive, Greeley, CO, 80634.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE (13) Tax, Spending and Debt Limitations**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments.

Fiscal year spending and revenue limits are determined based on the prior years' spending adjusted for inflation and student growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. In effect, it has been generally interpreted that fiscal year spending approximates nonexempt revenue or receipts.

Spending excludes spending from certain revenue and financial sources such as federal funds, gifts, property sales, fund transfers, damage awards and fund reserves.

The Amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

In November, 1997, the District's electorate approved a resolution to permit the District to collect, keep, and expend as a voter approved revenue change and exception to the limits which would otherwise apply under Article X, Section 20 of the Colorado Constitution, beginning with the fiscal year 1996 and each fiscal year thereafter, provided however, that there is no increasing of tax rates or new taxes imposed.

Except for bond refinancing at lower interest rates or by adding employees to existing pension plans, the Amendment specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocably pledging present cash reserves for all future payments.

The Amendment requires Emergency Reserves to be established. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. As of June 30, 2018, the District has restricted fund balance of \$1,050,000 in the General Fund for this reserve.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE (13) Tax, Spending and Debt Limitations (continued)**

The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

**NOTE (14) Contingencies/Commitments**

**Grants**

The District receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of the District, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2018.

**Construction**

In 2017-2018, the District was awarded a Head Start capital construction grant from the Department of Health and Human Services in the amount of \$2,600,000 to construct a new wing addition to the District's preschool/kindergarten building known as the Sherman Early Childhood Center. The estimated total cost of the project is estimated to cost \$3,800,000 and the District will be contributing an additional \$1,200,000 to complete the project from Capital Reserve Funds. The District entered into a construction contract with Sampson Construction Company in March 2018 in the amount of \$2,963,500 to complete the wing addition. As of June 30, 2018, the District had incurred \$736,007 in construction costs for the wing addition.

**NOTE (15) Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has transferred the risk of loss for workers compensation through the participation within the state sponsored workers compensation fund. The amounts of settlements have not exceeded insurance coverage in any of the past three years.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE (15) Risk Management (continued)**

The District also participates in two insurance pools which provide insurance coverage for the District's general liability and property and casualty insurance and for the District's employees medical insurance.

**Colorado School Districts Self-Insurance Pool**

The Colorado School Districts Self-Insurance Pool (CSDSIP), sponsored by the Colorado Association of School Boards (CASB), operates as a self-insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The CSDSIP is administered by a board of directors. The District pays an annual premium to the CSDSIP for various types of property and liability insurance coverage.

The CSDSIP will be self-sustaining through member premiums and will reinsure through a duly authorized insurer. The reinsurance covers claims against the CSDSIP in excess of specific claim amounts and in the aggregate in an amount and at limits determined by the CSDSIP to be adequate to protect the solvency of the CSDSIP. Settled claims have not exceeded this coverage in any of the past three fiscal periods.

**BEST Health Plan**

The District joined The Colorado Boards of Education Self-Funded Trust (BEST) in 2010. This partially self-funded trust was established in 2004 to offer a stable, long term, statewide medical program designed to meet the business objective and challenges of school districts. Medical coverage for District employees is purchased through the trust.

The District pays a monthly premium to BEST to provide health insurance coverage and services for its plan members. Employees are responsible for paying a deductible amount before the plan begins to pay. The individual deductible amount for fiscal year 2018 was \$3,500. There is no lifetime maximum benefit for plan members.

Because there is the potential to incur high cost medical claims, BEST purchases stop-loss coverage to cover claims that exceed its deductible limit, which is currently \$150,000. Each year, the deductible limit is reviewed based on actuarial analysis to determine if paying an additional premium would increase or reduce the ultimate cost of risk to the District.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE (15) Risk Management (continued)**

BEST Health Plan (continued)

As members of the BEST Health Plan, the District also purchases prescription coverage through the pool. In 2012, the District deposited \$600,000 with BEST as a deposit to establish its claims fluctuation reserve (CFR). During 2015-2016, the District experienced a deterioration in its CFR of approximately \$200,000. In February 2016, the District made an additional deposit to its CFR in the amount of \$100,000. The District made two, \$200,000 additional deposits in 2016-2017 to restore its CFR balance after experiencing higher claim losses. The summary of the District's CFR deposit is as follows:

Balance at June 30, 2016	\$ 500,000
2016-2017 deposits	400,000
2016-2017 excess medical claim losses	<u>(400,000)</u>
 Balance at June 30, 2018	 \$ <u>500,000</u>

The CFR balance had no additional changes in 2017-2018 and therefore the balance at June 30, 2018 did not change from June 30, 2017.

**NOTE (16) Litigation**

The District from time to time is involved in various legal matters. In the opinion of the District's counsel, there are no pending legal issues that would have a material adverse effect on the financial condition of the District.

**NOTE (17) Restatement Of Net Position**

During fiscal year 2018, the District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which requires the District to record its "proportionate share" of other postemployment benefit liabilities and related deferred inflows and outflows of resources in the government-wide financial statements.

	<u>Governmental</u>
	<u>Activities</u>
Beginning net position (deficit) as originally reported	\$(17,276,451)
Implementation of GASB Statement No. 75:	
Net other postemployment benefit liabilities at June 30, 2017	(2,655,775)
Deferred outflow of resources related to contributions made after the December 31, 2016 measurement date	<u>107,147</u>
Beginning net position (deficit), as restated	\$ <u>(19,825,079)</u>

Morgan County School District Re-3  
 Required Supplementary Information  
 Schedule of Proportionate Share of the Net Pension Liability and Contributions  
 Public Employees' Retirement Association of Colorado School Division Trust Fund  
 June 30, 2018

PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
District's Proportion of the Net Pension Liability	0.3696201719%	0.3602611241%	0.3617443754%	0.3656166177%	0.3707465781%
District's Proportionate Share of the Net Pension Liability	\$ 119,522,027	\$ 107,263,668	\$ 55,326,248	\$ 49,553,333	\$ 47,288,626
District's Covered Payroll	\$ 17,050,207	\$ 16,173,882	\$ 15,764,734	\$ 15,316,707	\$ 14,945,964
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%

DISTRICT CONTRIBUTIONS

	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
Statutorily Required Contribution	\$ 3,315,227	\$ 3,045,963	\$ 2,830,814	\$ 2,614,912	\$ 2,422,215
Contributions in Relation to the Statutorily Required Contribution	(3,315,227)	(3,045,963)	(2,830,814)	(2,614,912)	(2,422,215)
Contribution Deficiency (Excess)	\$	\$	\$	\$	\$
District's Covered Payroll	\$ 17,552,824	\$ 16,570,403	\$ 15,959,719	\$ 15,481,355	\$ 15,147,263
Contributions as a Percentage of Covered Payroll	18.89%	18.38%	17.74%	16.89%	15.99%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See The Accompanying Independent Auditor's Report

**Morgan County School District Re-3**  
**Required Supplementary Information**  
**Schedule of Proportionate Share of the Net OPEB Liability and Contributions**  
**Public Employees' Retirement Association of Colorado Health Care Trust Fund**  
**June 30, 2018**

	12/31/17
<b>Proportionate Share of the Net OPEB Liability</b>	
District's Proportion of the Net OPEB Liability	0.2100175754%
District's Proportionate Share of the Net OPEB Liability	\$ 2,729,388
District's Covered Payroll	\$ 17,050,207
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18%
	6/30/18
<b>District Contributions</b>	
Statutorily Required Contribution	\$ 179,039
Contributions in Relation to the Statutorily Required Contribution	(179,039)
Contribution Deficiency (Excess)	\$ -
District's Covered Payroll	\$ 17,552,824
Contributions as a Percentage of Covered Payroll	1.02%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See the accompanying Independent Auditor's Report

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - General Fund**  
**For The Year Fiscal Ended June 30, 2018**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budgeted Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Property Taxes	\$ 6,763,598	\$ 7,279,666	\$ 7,380,421	\$ 100,755
Delinquent Taxes	7,000	7,000	200	(6,800)
Specific Ownership Taxes	1,010,027	932,929	1,019,054	86,125
Specific Ownership - Bond Redemption and Mill Levy	55,000	55,000	57,708	2,708
Tuition	23,000	23,000	51,926	28,926
Interest Income	59,990	60,090	133,866	73,776
Other	275,550	290,550	464,599	174,049
Federal Sources - Grants	647,966	647,966	783,367	135,401
State Sources				
State Equalization	16,386,221	16,654,389	16,665,921	11,532
ESL	322,471	370,574	370,573	(1)
Vocational Education	82,000	82,000	104,879	22,879
Transportation	140,000	143,573	143,912	339
Special Education	535,600	535,600	536,134	534
Small Rural Schools		-	527,023	527,023
Other State Sources	47,000	47,000	78,338	31,338
<b>Total Revenues</b>	<b>26,355,423</b>	<b>27,129,337</b>	<b>28,317,921</b>	<b>1,188,584</b>
Expenditures (See Schedules)				
Instruction	15,529,560	16,030,296	15,224,883	805,413
Supporting Services	13,306,864	13,724,461	12,155,092	1,569,369
<b>Total Expenditures</b>	<b>28,836,424</b>	<b>29,754,757</b>	<b>27,379,975</b>	<b>2,374,782</b>
Excess (Deficiency) of Revenue Over Expenditures				
	(2,481,001)	(2,625,420)	937,946	3,563,366
Other Financing Sources (Uses)				
Insurance Proceeds	254,303	254,303	235,429	(18,874)
Transfers Out	(100,000)	(97,127)	(99,683)	(2,556)
<b>Total Other Financing Sources (Uses)</b>	<b>154,303</b>	<b>157,176</b>	<b>135,746</b>	<b>(21,430)</b>
<b>Net Change in Fund Balance</b>	<b>(2,326,698)</b>	<b>(2,468,244)</b>	<b>1,073,692</b>	<b>3,541,936</b>
<b>Beginning Fund Balance</b>	<b>6,973,794</b>	<b>7,862,435</b>	<b>9,586,628</b>	<b>1,724,193</b>
<b>Ending Fund Balance</b>	<b>\$ 4,647,096</b>	<b>\$ 5,394,191</b>	<b>\$ 10,660,320</b>	<b>\$ 5,266,129</b>

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - General Fund**  
**For The Fiscal Year Ended June 30, 2018**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Instruction</b>				
Salaries	\$ 10,332,210	\$ 10,657,456	\$ 10,247,869	\$ 409,587
Employee Benefits	4,018,439	4,151,331	3,981,860	169,471
Purchased Services	521,027	521,027	467,066	53,961
Supplies and Materials	249,772	277,270	237,769	39,501
Capital Outlay	287,588	297,688	178,341	119,347
Other Expenses	120,524	125,524	111,978	13,546
Total Instruction	<u>\$ 15,529,560</u>	<u>\$ 16,030,296</u>	<u>\$ 15,224,883</u>	<u>\$ 805,413</u>
Total Instructional Services	\$ 15,529,560	\$ 16,030,296	\$ 15,224,883	805,413
Less Capital Outlay	(287,588)	(297,688)	(178,341)	(119,347)
Net Instructional Services	<u>\$ 15,241,972</u>	<u>\$ 15,732,608</u>	<u>\$ 15,046,542</u>	<u>\$ 686,066</u>
<b>Supporting Services</b>				
<b>Students</b>				
Salaries	\$ 937,646	\$ 989,808	\$ 963,929	\$ 25,879
Employee Benefits	305,440	332,727	342,855	(10,128)
Purchased Services	80,655	80,655	75,457	5,198
Supplies and Materials	12,200	12,200	8,760	3,440
Capital Outlay	4,400	4,400	1,200	3,200
Other Expenses	1,950	1,950	774	1,176
Total Students	<u>1,342,291</u>	<u>1,421,740</u>	<u>1,392,975</u>	<u>28,765</u>
<b>Instructional Staff</b>				
Salaries	441,865	441,865	481,744	(39,879)
Employee Benefits	160,540	160,539	175,874	(15,335)
Purchased Services	31,119	31,119	21,266	9,853
Supplies and Materials	299,299	310,478	315,925	(5,447)
Capital Outlay	51,800	51,800	51,229	571
Other Expenses	32,700	32,700	26,318	6,382
Total Instructional Staff	<u>1,017,323</u>	<u>1,028,501</u>	<u>1,072,356</u>	<u>(43,855)</u>
<b>General Administration</b>				
Salaries	184,981	184,981	186,994	(2,013)
Employee Benefits	45,763	45,763	39,269	6,494
Purchased Services	84,298	84,298	67,022	17,276
Supplies and Materials	5,400	5,400	2,751	2,649
Capital Outlay	8,000	8,000	203	7,797
Other Expenses	22,700	22,700	22,597	103
Total General Administration	<u>351,142</u>	<u>351,142</u>	<u>318,836</u>	<u>32,306</u>
<b>School Administration</b>				
Salaries	1,597,994	1,597,994	1,560,901	37,093
Employee Benefits	536,728	536,728	541,751	(5,023)
Purchased Services	27,810	27,810	22,410	5,400
Supplies and Materials	22,412	22,412	9,928	12,484
Capital Outlay	3,556	3,556	11,759	(8,203)
Other Expenses	(13,749)	(34,464)	(164,578)	130,114
Total School Administration	<u>2,174,751</u>	<u>2,154,036</u>	<u>1,982,171</u>	<u>171,865</u>

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - General Fund**  
**For The Fiscal Year Ended June 30, 2018**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Business Services</b>				
Salaries	360,721	360,721	370,231	(9,510)
Employee Benefits	112,350	112,350	135,595	(23,245)
Purchased Services	118,800	120,800	106,837	13,963
Supplies and Materials	12,544	(6,132)	41,330	(47,462)
Capital Outlay	263	263	469	(206)
Other Expenses	(50,700)	(50,700)	(54,663)	3,963
<b>Total Business Services</b>	<b>\$ 553,978</b>	<b>\$ 537,302</b>	<b>\$ 599,799</b>	<b>\$ (62,497)</b>
<b>Operations and Maintenance</b>				
Salaries	\$ 1,286,820	\$ 1,286,820	\$ 1,265,292	\$ 21,528
Employee Benefits	554,124	554,124	549,647	4,477
Purchased Services	672,658	722,741	618,722	104,019
Supplies and Materials	824,050	824,050	742,142	81,908
Capital Outlay	57,500	88,564	20,823	67,741
Other Expenses	700	700	700	-
<b>Total Operations and Maintenance</b>	<b>3,395,852</b>	<b>3,476,999</b>	<b>3,197,326</b>	<b>279,673</b>
<b>Student Transportation</b>				
Salaries	513,871	513,871	501,496	12,375
Employee Benefits	202,004	208,004	217,501	(9,497)
Purchased Services	143,475	168,892	125,187	43,705
Supplies and Materials	127,600	127,600	134,051	(6,451)
Capital Outlay	282,500	282,500	185,336	97,164
Other Expenses	(137,160)	(137,160)	(142,213)	5,053
<b>Total Student Transportation</b>	<b>1,132,290</b>	<b>1,163,707</b>	<b>1,021,358</b>	<b>142,349</b>
<b>Central Support</b>				
Salaries	549,227	567,937	555,989	11,948
Employee Benefits	150,417	150,417	150,804	(387)
Purchased Services	780,100	768,437	719,816	48,621
Supplies and Materials	32,000	32,000	75,343	(43,343)
Capital Outlay	125,500	125,500	154,337	(28,837)
Other Expenses	4,850	4,850	1,352	3,498
<b>Total Central Support</b>	<b>1,642,094</b>	<b>1,649,141</b>	<b>1,657,641</b>	<b>(8,500)</b>
<b>Other Support</b>				
Salaries	104,661	120,961	99,664	21,297
Employee Benefits	34,512	37,442	33,133	4,309
Purchased Services	2,010	2,010	3,389	(1,379)
Supplies and Materials	13,706	13,706	6,640	7,066
Capital Outlay	274,300	290,832	545,654	(254,822)
Other Expenses	1,267,954	1,476,942	224,150	1,252,792
<b>Total Other Support</b>	<b>1,697,143</b>	<b>1,941,893</b>	<b>912,630</b>	<b>1,029,263</b>
<b>Total Supporting Services</b>	<b>\$ 13,306,864</b>	<b>\$ 13,724,461</b>	<b>\$ 12,155,092</b>	<b>\$ 1,569,369</b>
<b>Total Support Services</b>	<b>\$ 13,306,864</b>	<b>\$ 13,724,461</b>	<b>\$ 12,155,092</b>	<b>1,569,369</b>
Less Capital Outlay	(799,019)	(846,615)	(971,010)	124,395
<b>Net Support Services</b>	<b>\$ 12,507,845</b>	<b>\$ 12,877,846</b>	<b>\$ 11,184,082</b>	<b>\$ 1,693,764</b>

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - Federal Programs Fund**  
**For The Fiscal Year Ended June 30, 2018**

	June 30, 2018				June 30, 2017
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
Revenues:					
Local Sources	\$ 48,000	\$ 176,017	\$ 80,112	\$ (95,905)	\$ 41,839
State Sources	400,000	576,733	517,182	(59,551)	427,424
Federal Sources	1,685,972	4,310,963	2,434,093	(1,876,870)	1,743,307
Interest Income	-	-	306	306	222
Total Revenues	<u>2,133,972</u>	<u>5,063,713</u>	<u>3,031,693</u>	<u>(2,032,020)</u>	<u>2,212,792</u>
Expenditures:					
Salaries	1,259,701	1,361,859	1,312,387	49,472	1,367,003
Benefits	506,703	559,015	520,435	38,580	596,282
Purchased Services	173,132	222,004	229,412	(7,408)	76,376
Supplies	149,280	261,559	139,406	122,153	92,235
Capital Outlay	-	2,613,674	736,007	1,877,667	51,478
Non Capital Outlay	49,732	35,975	16,605	19,370	31,814
Other	45,424	41,038	54,124	(13,086)	40,972
Indirect Costs	50,000	65,716	92,249	(26,533)	97,454
Total Expenditures	<u>2,233,972</u>	<u>5,160,840</u>	<u>3,100,625</u>	<u>2,060,215</u>	<u>2,353,614</u>
Excess (Deficiency) of Revenues over Expenditures	(100,000)	(97,127)	(68,932)	28,195	(140,822)
Other Financing Sources: Transfers In	100,000	97,127	99,683	2,556	109,552
Net Change in Fund Balance	-	-	30,751	30,751	(31,270)
Beginning Fund Balance	105,371	105,371	278,872	173,501	310,142
Ending Fund Balance	<u>\$ 105,371</u>	<u>\$ 105,371</u>	<u>\$ 309,623</u>	<u>\$ 204,252</u>	<u>\$ 278,872</u>

**Morgan County School District Re-3**  
**Notes to Required Supplementary Information**  
**June 30, 2018**

**Note (1) Pension And Other Post Employment Benefit Plan Contributions**

The Public Employees' Retirement Association of Colorado School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The District's contributions and related ratios represent cash contributions and any related accruals that coincide with the District's fiscal year ending on June 30.

The District is required to contribute to PERA as provided under senate bill 18-200. The Districts required contribution rates are as follows:

<u>Start Date</u>	<u>Contribution</u>	<u>AED</u>	<u>SAED*</u>	<u>Total Contribution % for Year</u>
Jan. 2018	10.15%	4.50%	5.50%	20.15%
July 2019	10.40%	4.50%	5.50%	20.40%

\* State statute mandates that the SAED be funded by monies otherwise available for employee wage increases. The SAED is not credited to the member account.

The member contribution percentage will incrementally increase 2 percent as follows:

- .75 percent on July 1, 2019.
- .75 percent on July 1, 2020.
- .50 percent on July 1, 2021.

PERA will receive an annual direct distribution from the State in the amount of \$225 million (actual dollars). The distribution will occur July 1, 2018, and on July 1 each year thereafter until there is no unfunded actuarial accrued liabilities in the trust fund of any division that receives such distribution. PERA shall allocate the distribution to the trust funds as it would an employer contribution in a manner that is proportionate to the annual payroll of each division except there shall be no allocation to the Local Government Division.

In 2004 and 2006, legislation was passed that required employers to remit additional contributions to PERA. These additional contributions are the Amortization Equalization Disbursement (AED) and Supplemental Amortization Equalization Disbursement (SAED). The AED is an additional amount contributed by PERA employers that has gradual increases. The SAED is also an amount contributed by employers and is, to the extent permitted by law, to be funded by moneys otherwise available for employee wage increases. The SAED also has gradual increases. These additional employer contributions, based on the total payroll of PERA members and employees who can elect either PERA or another plan (regardless of the plan elected), are designed to reduce PERA's unfunded liability and amortization period.

**Morgan County School District Re-3**  
**Notes to Required Supplementary Information**  
**June 30, 2018**

**Note (1) Pension And Other Post Employment Benefit Plan Contributions**  
**(Continued)**

For the School Division, the AED increased by 0.4 percent per year from 2013 through 2015 and by 0.3 percent in 2016 for a total rate of 4.5 percent. In addition, the SAED will continue to increase by 0.5 percent per year to a total rate of 5.5 percent by 2018. Also the 0.4 percent increase in the statutory employer contribution rate in 2013 was eliminated.

However, if the funding ratio reaches 103 percent, the AED and SAED will be reduced by 0.5 percent of pay each.

The actuarially determined contribution (ADC) rates, as a percentage of pensionable payroll, used to determine the ADC amounts in the Schedule of District Contributions are calculated as of December 31, two years prior to the end of the year in which ADC amounts are reported. The following actuarial methods and assumptions (from the December 31, 2015, actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending December 31, 2017:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Amortization period	30 years, closed, layered
Asset valuation method	4-year smoothed market
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 to 10.85 percent
Long-term investment rate of return, net of pension plan investment expense, including price inflation	7.50 percent
Future post-retirement benefit increases	
PERA benefit structure hired prior to 1/1/07	2.00 percent
PERA benefit structure hired after 12/31/06	0.00 percent, as financed by the annual increase reserve

**Morgan County School District Re-3**  
**Notes to Required Supplementary Information**  
**June 30, 2018**

**Note (2) Pension And Other Post Employment Benefit Plan Provisions**

On June 4, 2018 senate bill 18-200: *Concerning Modifications to the Public Employee's Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years* was signed into law. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the UAAL of the Division Trust Funds and thereby reach a 100 percent funded ration for each division within the next thirty years.

***Benefit changes***

The number of years used in the HAS calculation increased from three to five years for members, except judges, who do not have five years of service credit on December 31, 2019, and for new members hired on or after January 1, 2020. PERA-includable salary for all members are redefined to include payouts of unused sick leave.

PERA-includable salary for all members hired on or after July 1, 2019 are redefined to include contributions to IRC Section 125 and 132 plans.

Members, other than State Troopers, hired on or after January 1, 2020 full service retirement eligibility is met at:

- Any age with 35 years of service.
- Age 64 with 30 years of service.
- Age 65 with 5 years of service.

Members, other than State Troopers, hired on or after January 1, 2020 reduced service retirement eligibility is met at:

- Age 55 with 25 years of service.
- Age 60 with 5 years of service.

AI is temporarily suspended for years 2018 and 2019.

AI cap is set at 1.5 percent and the AI waiting period is extended from one to three years.

***Other Provisions***

Effective July 1, 2020, and each year thereafter, member contributions, employer contributions, the direct distribution from the State, and the AI will be adjusted based on certain statutory parameters to keep PERA on path to full funding in 30 years.

**Morgan County School District Re-3**  
**Notes to Required Supplementary Information**  
**June 30, 2018**

**Note (2) Pension And Other Post Employment Benefit Plan Provisions**  
**(Continued)**

For benefit recipients of the PERA benefit structure based upon a membership date before January 1, 2007, future Post-Retirement Benefits Increases (Increase) are set at an amount equal to 2 percent (the lesser of that or the annual Consumer Price Index for Urban Wage Earners and Clerical Workers [CPI-W] increase for 2010). However, if the investment return for the prior year is negative, then the Increase is an amount equal to the annual CPI-W increase with a cap of 2 percent.

The 2 percent cap may be adjusted based upon the year-end funded status, with increases mandated when the funded status reaches 103 percent and decreases mandated when the funded status subsequently falls below 90 percent. The cap will not be reduced below 2 percent. In addition, the Increase is first paid on the July 1st that is at least 12 months after retirement for those members who retire on or after January 1, 2011. Members not eligible to retire as of January 1, 2011, who retire with a reduced service retirement allowance must reach age 60 or the age and service requirements for unreduced service retirement to be eligible for the Post-Retirement Benefit Increases.

Effective January 1, 2011, other than in the Judicial Division, for all active members, who are not eligible for retirement on January 1, 2011, the annual salary increase cap in determination of Highest Average Salary (HAS) was lowered from 15 percent to 8 percent for PERA benefit structure members and for DPS benefit structure members, a change from the average of salaries of the highest 36 months of earned service to the PERA benefit structure method with an annual salary cap of 8 percent.

Effective January 1, 2011, a new requirement was added that PERA benefit structure members must have five years of earned service credit in order to receive a 50 percent match on a refund.

Effective January 1, 2011, the reduction factors for a reduced service retirement benefit for members not eligible to retire as of January 1, 2011, were changed to an actuarial equivalent basis.

Effective January 1, 2011, a modified Rule of 85 for service retirement eligibility was implemented for members with less than 5 years of service credit as of January 1, 2011.

Effective January 1, 2011, a modified Rule of 88 with a minimum age of 58 for service retirement eligibility was implemented for members hired on or after January 1, 2011, but before January 1, 2017.

**Morgan County School District Re-3**  
**Notes to Required Supplementary Information**  
**June 30, 2018**

**Note (2) Pension And Other Post Employment Benefit Plan Provisions**  
**(Continued)**

Effective January 1, 2011, a modified Rule of 90 with a minimum age of 60 for service retirement eligibility was implemented for members hired on or after January 1, 2017.

The following changes were made to the Plan's provisions as a result of the passage of SB 06-235:

The Annual Increase Reserve (AIR) was established January 1, 2007, and will be used to provide post-retirement benefit increases for members hired on or after that date. The AIR is financed by an allocation from the employer statutory contributions, made on behalf of members hired on or after January 1, 2007, equal to 1.00 percent of pensionable payroll and through an allocation of purchase of service dollars.

The Service Retirement Eligibility for those members hired after January 1, 2007, was changed at age 55 by increasing the age and service requirement from 80 years to 85 years.

Other Plan provisions and assumptions include the following:

The investment return assumption is 7.50 percent, which is net of investment expenses to better represent the investment consultant's assumptions and predictions and also to better align with GASB accounting and reporting requirements. An ongoing estimated administrative expense of 0.35 percent of pensionable payroll was added to the normal cost beginning with the December 31, 2012 actuarial valuation.

The post-retirement mortality tables used are the RP-2000 Combined Mortality tables projected with a Scale AA to 2020, set back one year for males and two years for females.

The assumed interest rate credited on member contribution accounts is 3 percent.

For the AIR established on January 1, 2007, the AIR balance is excluded from both assets and liabilities in the determination of the ADC rate as a percentage of pensionable payroll.

**Morgan County School District Re-3**  
***Notes to Required Supplementary Information***  
**June 30, 2018**

**Note (3) Budgets and Budgetary Accounting**

The District adheres to the following procedures in compliance with Colorado Revised Statutes, establishing the budgetary data reflected in the financial statements:

- 1) Budgets are required by state law for all funds. Prior to May 31, the Superintendent of Schools submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- 3) Prior to June 30, the budget is adopted by formal resolution.
- 4) Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budget line items within any department in the General Fund rests with the Superintendent of Schools, or department directors. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- 5) Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles except for the Food Services Fund, which accounts for the interfund reimbursements as an expense reimbursement and not as a revenue. All annual appropriations lapse at fiscal year-end.

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**Morgan County School District Re-3**  
**Combining Balance Sheet**  
**General Fund**  
**June 30, 2018**

	<u>General Fund Department</u>	<u>Mill Levy Department</u>	<u>Daycare Department</u>
<b>ASSETS</b>			
Cash and Investments	\$ 9,816,054	\$ 766,406	\$ 119,868
Receivable from Treasurer	120,705	3,540	
Property and S.O. Tax Receivable	338,713	20,655	
Accounts Receivable	64,847		16,203
Intergovernmental Receivable	451,785		1,970
Interfund Receivables	202,810	10,158	
Prepaid Expenditures	61,704		799
Inventory	68,822		
<b>Total Assets</b>	<b><u>\$ 11,125,440</u></b>	<b><u>\$ 800,759</u></b>	<b><u>\$ 138,840</u></b>
<b>Liabilities:</b>			
Accounts Payable	\$ 147,291	\$ 131,974	\$ 4,250
Hospital Escrow			
Accrued Salaries and Benefits	2,410,834	9,310	15,060
Interfund Payables	173,944		1,854
Unearned Revenue			
<b>Total Liabilities</b>	<b><u>2,732,069</u></b>	<b><u>141,284</u></b>	<b><u>21,164</u></b>
<b>Deferred Inflows of Resources</b>			
Grant Revenue			
Taxes	143,564	11,372	
<b>Total Deferred Inflows of Resources</b>	<b><u>143,564</u></b>	<b><u>11,372</u></b>	<b><u>-</u></b>
<b>Fund Balances:</b>			
Non-Spendable			
Prepaid Expenditures	61,704		799
Inventory	68,822		
Restricted			
Emergency Reserve (TABOR)	1,050,000		
Mill Levy - Capital and Maintenance		648,103	
Preschool			
Assigned			
Subsequent Year's Budget			
Capital Projects/Replacements			
Unassigned	7,069,281		116,877
<b>Total Fund Balances</b>	<b><u>8,249,807</u></b>	<b><u>648,103</u></b>	<b><u>117,676</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 11,125,440</u></b>	<b><u>\$ 800,759</u></b>	<b><u>\$ 138,840</u></b>

See the accompanying Independent Auditor's Report

June 30, 2018

June 30, 2017

Capital Reserve Department	Insurance Department	Colorado Preschool Department	Total General Fund	Total General Fund
\$ 1,016,826	\$ 204,924	\$ 125,577	\$ 12,049,655	\$ 11,278,195
			124,245	100,460
			359,368	382,518
111,843	231,456		424,349	187,314
			453,755	343,696
		1,094	214,062	236,531
		176	62,679	92,045
			68,822	75,145
<u>\$ 1,128,669</u>	<u>\$ 436,380</u>	<u>\$ 126,847</u>	<u>\$ 13,756,935</u>	<u>\$ 12,695,904</u>
\$ 150	\$ 2,800	\$ 719	287,184	\$ 184,452
			-	1,801
		33,295	2,468,499	2,365,250
10,158		40	185,996	189,782
			-	4,637
<u>10,308</u>	<u>2,800</u>	<u>34,054</u>	<u>2,941,679</u>	<u>2,745,922</u>
			-	126,448
			154,936	236,906
			154,936	363,354
		176	62,679	92,045
			68,822	75,145
			1,050,000	1,050,000
			648,103	725,245
		92,617	92,617	57,687
	8,040		8,040	1,110,573
1,118,361	352,153		1,470,514	1,016,430
	73,387		7,259,545	5,459,503
<u>1,118,361</u>	<u>433,580</u>	<u>92,793</u>	<u>10,660,320</u>	<u>9,586,628</u>
<u>\$ 1,128,669</u>	<u>\$ 436,380</u>	<u>\$ 126,847</u>	<u>\$ 13,756,935</u>	<u>\$ 12,695,904</u>

**Morgan County School District Re-3**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2018**

	For the Fiscal		
	General Department	Mill Levy Department	Daycare Department
Property Taxes	\$ 6,822,493	\$ 558,128	
Specific Ownership Taxes	1,076,762		
Intergovernmental	2,527,648		\$ 15,484
State Equalization	16,665,921		
Interest Income	126,779	6,464	118
Other		336	-
Local Sources	216,685		185,370
Total Revenues	<u>27,436,288</u>	<u>564,928</u>	<u>200,972</u>
Expenditures:			
Current			
Instruction	14,612,359	32,309	
Supporting Services	9,839,777	346,222	138,613
NonCapital Outlay	161,801	16,829	
Capital Outlay		246,710	
Total Expenditures	<u>24,613,937</u>	<u>642,070</u>	<u>138,613</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,822,351</u>	<u>(77,142)</u>	<u>62,359</u>
Other Financing Sources (Uses):			
Insurance Proceeds			
Allocations In			
Allocations Out	(1,954,461)		
Transfers Out	(99,683)		
Total Other Financing Sources (Uses)	<u>(2,054,144)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	768,207	(77,142)	62,359
Fund Balances - Beginning of the Year	<u>7,481,600</u>	<u>725,245</u>	<u>55,317</u>
Fund Balances - End of the Year	<u>\$ 8,249,807</u>	<u>\$ 648,103</u>	<u>\$ 117,676</u>

See the accompanying Independent Auditor's Report

Year Ended June 30, 2018			For the Fiscal Year Ended June 30, 2017	
Capital Reserve Department	Insurance Department	Colorado Preschool Department	Total General Fund	Total General Fund
			\$ 7,380,621	\$ 6,887,511
			1,076,762	976,051
\$ 111,843		\$ 1,094	2,656,069	1,829,317
			16,665,921	15,517,500
21	\$ 460	\$ 24	133,866	65,787
			336	4,993
2,291			404,346	252,055
<u>114,155</u>	<u>460</u>	<u>1,118</u>	<u>28,317,921</u>	<u>25,533,214</u>
170		401,705	15,046,543	14,530,320
214,171	546,889	98,410	11,184,082	10,478,654
237,223		5,143	420,996	318,029
481,644			728,354	390,278
<u>933,208</u>	<u>546,889</u>	<u>505,258</u>	<u>27,379,975</u>	<u>25,717,281</u>
(819,053)	(546,429)	(504,140)	937,946	(184,067)
	235,429		235,429	134,767
1,041,681	375,000	537,780	1,954,461	1,520,811
			(1,954,461)	(1,520,811)
			(99,683)	(109,552)
<u>1,041,681</u>	<u>610,429</u>	<u>537,780</u>	<u>135,746</u>	<u>25,215</u>
222,628	64,000	33,640	1,073,692	(158,852)
<u>895,733</u>	<u>369,580</u>	<u>59,153</u>	<u>9,586,628</u>	<u>9,745,480</u>
<u>\$ 1,118,361</u>	<u>\$ 433,580</u>	<u>\$ 92,793</u>	<u>\$ 10,660,320</u>	<u>\$ 9,586,628</u>

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - Bond Redemption Fund**  
**For The Fiscal Year Ended June 30, 2018**

	June 30, 2018			June 30, 2017	
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
Revenue:					
Local Property Tax	\$ 3,198,950	\$ 3,180,687	\$ 3,226,370	\$ 45,683	\$ 3,162,482
Interest Income	1,000	2,500	8,457	5,957	2,275
Other			29	29	32
Total Revenue	<u>3,199,950</u>	<u>3,183,187</u>	<u>3,234,856</u>	<u>51,669</u>	<u>3,164,789</u>
Expenditures:					
Paying Agent Fees	5,000	4,000	5,000	(1,000)	3,500
Debt Service:					
Principal on Debt	2,065,000	2,065,000	2,065,000	-	1,985,000
Interest on Debt	1,089,950	1,089,950	1,060,156	29,794	1,148,225
Total Expenditures	<u>3,159,950</u>	<u>3,158,950</u>	<u>3,130,156</u>	<u>28,794</u>	<u>3,136,725</u>
Net Change in Fund Balance	40,000	24,237	104,700	80,463	28,064
Beginning Fund Balance	<u>2,770,844</u>	<u>2,770,844</u>	<u>2,715,081</u>	<u>(55,763)</u>	<u>2,687,017</u>
Ending Fund Balance	<u>\$ 2,810,844</u>	<u>\$ 2,795,081</u>	<u>\$ 2,819,781</u>	<u>\$ 24,700</u>	<u>\$ 2,715,081</u>

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - Building Fund**  
**For The Fiscal Year Ended June 30, 2018**

	June 30, 2018			June 30, 2017	
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
Revenues:					
Intergovernmental - BEST Grant	\$ 2,600,000				
Other Revenue				-	\$ 100,000
Interest Income	12,000	\$ 10,000	\$ 23,921	\$ 13,921	12,844
	<u>2,612,000</u>	<u>10,000</u>	<u>23,921</u>	<u>13,921</u>	<u>112,844</u>
Expenditures:					
Construction Supplies				-	26,618
Contracted Services				-	29,895
Capital Outlay - Building Improvements	4,626,942	2,024,942	184,483	1,840,459	5,281,173
Capital Outlay				-	115,895
Non Capital Outlay				-	5,144
Total Expenditures	<u>4,626,942</u>	<u>2,024,942</u>	<u>184,483</u>	<u>1,840,459</u>	<u>5,458,725</u>
Net Change in Fund Balance	(2,014,942)	(2,014,942)	(160,562)	1,854,380	(5,345,881)
Beginning Fund Balance	<u>2,014,942</u>	<u>2,014,942</u>	<u>2,008,791</u>	<u>(6,151)</u>	<u>7,354,672</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,848,229</u>	<u>\$ 1,848,229</u>	<u>\$ 2,008,791</u>

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - Food Service Fund**  
**For The Fiscal Year Ended June 30, 2018**

	June 30, 2018				June 30, 2017
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
<b>Revenues</b>					
School Meals	\$ 178,900	\$ 178,900	\$ 187,586	\$ (178,900)	\$ 190,481
Lunch Reimbursements	13,000	13,000	14,137	(13,000)	18,796
Federal Aid:					
School Lunch Program	910,000	910,000	916,735	(910,000)	911,629
Donated Commodities	112,083	112,083	117,726	(112,083)	120,361
School Breakfast Program	335,500	335,500	435,398	(335,500)	336,515
Other Food Service Grants	30,000	30,000	35,838	(30,000)	34,531
State Aid:					
Child Nutrition Match	14,000	14,000	14,486	(14,000)	14,063
Start Smart	6,200	6,200	7,598	(6,200)	7,184
K-12 Reduced	11,700	11,700	10,037	(11,700)	11,700
Interest Income	1,000	1,000	3,334	(1,000)	1,699
Inter Fund Reimbursements	30,000	30,000	41,537	(30,000)	35,888
Other Revenue	300	300	4,087	(300)	959
<b>Total Revenues</b>	<b>1,642,683</b>	<b>1,642,683</b>	<b>1,788,499</b>	<b>145,816</b>	<b>1,683,806</b>
<b>Expenditures</b>					
Salaries	459,864	459,864	486,153	(26,289)	458,892
Employee Benefits	216,487	216,487	231,062	(14,575)	215,331
Repairs & Maintenance	1,500	1,500	6,426	(4,926)	60
Purchased Services	5,900	5,900	2,800	3,100	3,441
Travel	3,300	3,300	1,656	1,644	2,086
Supplies & Materials	70,500	70,500	63,191	7,309	75,326
Food Costs:					
Food and Milk	790,000	790,000	733,126	56,874	717,090
Commodities	112,083	112,083	117,726	(5,643)	120,361
Commodities Fees	3,000	3,000	4,108	(1,108)	3,860
Non Capital Equipment	20,000	20,000	26,476	(6,476)	11,444
Other	1,700	1,700	2,039	(339)	1,862
Indirect Cost		50,000	100,000	(50,000)	-
<b>Total Expenditures</b>	<b>1,684,334</b>	<b>1,734,334</b>	<b>1,774,763</b>	<b>(40,429)</b>	<b>1,609,753</b>
<b>Net Change in Fund Balance</b>	<b>(41,651)</b>	<b>(91,651)</b>	<b>13,736</b>	<b>105,387</b>	<b>74,053</b>
<b>Beginning Fund Balance</b>	<b>515,309</b>	<b>693,838</b>	<b>693,838</b>	<b>-</b>	<b>619,785</b>
<b>Ending Fund Balance</b>	<b>\$ 473,658</b>	<b>\$ 602,187</b>	<b>\$ 707,574</b>	<b>\$ 105,387</b>	<b>\$ 693,838</b>

**Budget Basis Reconciliation**

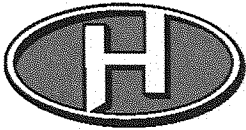
2017-2018 Final Budgeted Expenditures	\$ 1,734,334
Total Expenditures Per GAAP Basis	\$ 1,774,763
Interfund Reimbursements Treated as Expenditure	
Reimbursements For Budget Basis	(41,537)
Net Actual Expenditures - Budget Basis	1,733,226
2017-2018 Actual Budget Basis Expenditures	
Under 2017-2018 Final Budget	\$ 1,108

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - Private-Purpose Trust Fund**  
**For The Fiscal Year Ended June 30, 2018**

	<u>June 30, 2018</u>			<u>Variance with Final Budget Positive (Negative)</u>	<u>June 30, 2017</u>
	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>		<u>Actual Amounts</u>
Additions:					
Contributions and Donations	\$ 225,000	\$ 235,500	\$ 226,450	\$ (9,050)	\$ 235,482
Interest Income	20	200	445	245	217
Total Additions	<u>225,020</u>	<u>235,700</u>	<u>226,895</u>	<u>(8,805)</u>	<u>235,699</u>
Deductions:					
Scholarship Awards	<u>225,020</u>	<u>235,700</u>	<u>197,106</u>	<u>38,594</u>	<u>239,443</u>
Change in Net Position	-	-	29,789	29,789	(3,744)
Beginning Net Position	<u>120,025</u>	<u>120,025</u>	<u>121,023</u>	<u>998</u>	<u>124,767</u>
Ending Net Position	<u>\$ 120,025</u>	<u>\$ 120,025</u>	<u>\$ 150,812</u>	<u>\$ 30,787</u>	<u>\$ 121,023</u>

**Morgan County School District Re-3**  
**Statement of Changes in**  
**Assets and Liabilities**  
**Agency Fund**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Assets</b>				
Cash and Investments	\$ 697,467	\$ 603,750	\$ 611,136	\$ 690,081
Accounts Receivable	1,393	1,443	1,393	1,443
Prepaid Expenses	-	389	-	389
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total Assets	<u>\$ 698,860</u>	<u>\$ 605,582</u>	<u>\$ 612,529</u>	<u>\$ 691,913</u>
<b>Liabilities</b>				
Due to Student/Community Organizations	\$ 413,447	\$ 572,913	\$ 584,641	\$ 401,719
Funds Held for Others	274,422	17,310	16,897	274,835
Total Funds Held For Others	<u>687,869</u>	<u>590,223</u>	<u>601,538</u>	<u>676,554</u>
Accounts Payable	10,991	15,359	10,991	15,359
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total Liabilities	<u>\$ 698,860</u>	<u>\$ 605,582</u>	<u>\$ 612,529</u>	<u>\$ 691,913</u>



**HINKLE &  
COMPANY**  
Strategic PC  
Business Advisors

**Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with Government Auditing Standards**

Board of Education  
Morgan County School District Re-3  
Fort Morgan, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Morgan County School District Re-3 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Morgan County School District Re-3, and have issued our report thereon dated February 26, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Morgan County School District Re-3's internal control over financial reporting 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 Morgan County School District Re-3's internal control. Accordingly, we do not express an opinion on the effectiveness of the Morgan County School District Re-3's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Morgan County School District Re-3's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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 the Morgan County School District Re-3's internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Morgan County School District Re-3'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*.

**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 Morgan County School District Re-3'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 Morgan County School District Re-3's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Hick & Company, PC*

Greenwood Village, Colorado  
February 26, 2019





**HINKLE &  
COMPANY**  
Strategic PC  
Business Advisors

**Independent Auditors' Report on Compliance for Each  
Major Federal Program, Internal Control Over Compliance,  
and the Schedule of Expenditures of Federal Awards  
Required by the Uniform Guidance**

Board of Education  
Morgan County School District Re-3  
Fort Morgan, Colorado

**Report on Compliance for Each Major Federal Program**

We have audited the Morgan County School District Re-3's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Morgan County School District Re-3's major federal programs for the year ended June 30, 2018. The Morgan County School District Re-3's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Morgan County School District Re-3's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Morgan County School District Re-3's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Morgan County School District Re-3's compliance.

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

In our opinion, the Morgan County School District Re-3 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### **Report on Internal Control Over Compliance**

Management of the Morgan County School District Re-3 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Morgan County School District Re-3's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Morgan County School District Re-3's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or 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 the Morgan County School District Re-3's internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Morgan County School District Re-3 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Morgan County School District Re-3. We issued our report thereon dated February 26, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Morgan County School District Re-3's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Hick & Company, PC*

Greenwood Village, Colorado  
February 26, 2019



**Morgan County School District Re-3**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2018

**Section I: Summary of Auditors' Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP): Unmodified

Internal control over financial reporting:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified?  Yes  None Reported

Noncompliance material to the financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified?  Yes  None Reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Cluster/Program</u>
93.600	Head Start

Dollar threshold used to distinguish  
 Between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**Section II: Financial Statement Findings**

No current year findings or questioned costs were reported.

**Section III: Federal Awards Findings and Questioned Costs**

No current year findings or questioned costs were reported.

MORGAN COUNTY SCHOOL DISTRICT Re-3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Grant Code	Expenditures	Pass-through To Subrecipients
<b>U.S. Department of Health and Human Services</b>				
Direct Program				
Head Start	93.600	N/A	\$ 1,545,480	\$ -0-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,545,480	-0-
<b>U.S. Department of Agriculture</b>				
Child Nutrition Cluster				
Passed Through State Department of Human Services				
Food Donation	10.555	N/A	117,726	-0-
Passed Through State Department of Education				
School Breakfast Program	10.553	4553	435,397	-0-
National School Lunch Program	10.555	4555	916,735	-0-
Summer Food Service Program for Children	10.559	4559	35,838	-0-
Subtotal Child Nutrition Cluster			1,505,696	-0-
Passed Through State Department of Public Health and Environment				
Child and Adult Care Food Program	10.558	N/A	34,784	-0-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,540,480	-0-
<b>U.S. Department of Education</b>				
Passed Through State Department of Education				
Title I	84.010	4010	560,211	-0-
Special Education Cluster				
Special Education	84.027	4027	608,264	-0-
Special Education - Preschool	84.173	4173	26,702	-0-
Subtotal Special Education Cluster			634,966	-0-
English Language Acquisition	84.365	4365/7365	60,594	-0-
Supporting Effective Instruction	84.367	4367	87,853	-0-
Javits Gifted and Talented Students Education	84.206	5206	29,835	-0-
Race To The Top Early Learning Challenge	84.412	5412	2,587	-0-
Student Support and Academic Enrichment Program	84.442	4412	13,597	-0-
Passed Through State Community College System				
Career and Technical Education	84.048	N/A	31,454	-0-
TOTAL U.S. DEPARTMENT OF EDUCATION			1,421,097	-0-
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 4,507,057	\$ -0-

See the accompanying independent auditors' report.

MORGAN COUNTY SCHOOL DISTRICT Re-3

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2018

NOTE (1) **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes all Federal grants to the District that had expenditures during the fiscal year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. This schedule has been prepared on the full accrual basis of accounting. Grant revenues are recorded when the District has met the qualifications for the respective grants.

NOTE (2) **Subrecipients**

For the year ended June 30, 2018, the District did not pass through any federal grant awards to subrecipients.

NOTE (3) **Indirect Cost Rate**

The District does not charge a de-minimis indirect cost rate.

NOTE (4) **Non-Cash Programs (Commodities)**

Commodities donated to the District by the U.S. Department of Agriculture (USDA) of \$117,726 are valued based on the USDA's Donated Commodity Price List. These are shown as part of the National School Lunch program (10.555).



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 2405 - FORT MORGAN RE-3  
 Fiscal Year 2017-18  
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
<b>Governmental</b>	+		-	=
10 General Fund	9,157,895	27,303,880	26,327,828	10,133,946
18 Risk Mgmt Sub-Fund of General Fund	369,581	610,888	546,889	433,580
19 Colorado Preschool Program Fund	59,153	538,898	505,258	92,793
<b>Sub- Total</b>	<b>9,586,629</b>	<b>28,453,666</b>	<b>27,379,976</b>	<b>10,660,320</b>
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
21 Food Service Spec Revenue Fund	693,838	1,746,962	1,733,226	707,574
22 Govt Designated-Purpose Grants Fund	278,872	3,131,375	3,100,624	309,623
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	2,715,082	3,234,856	3,130,156	2,819,782
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	2,008,791	23,921	184,482	1,848,229
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>15,283,212</b>	<b>36,590,781</b>	<b>35,528,464</b>	<b>16,345,528</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	121,023	226,895	197,106	150,812
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	687,870	590,223	601,538	676,555
79 GASB 34 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>808,893</b>	<b>817,118</b>	<b>798,644</b>	<b>827,367</b>

FINAL