

# **MORGAN COUNTY SCHOOL DISTRICT Re-3**



## **Financial Statements**

**Fiscal Year Ended June 30, 2019**

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

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

***Financial Statements***

***Fiscal Year Ended  
June 30, 2019***

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

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**HINKLE &  
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*Strategic* <sup>PC</sup>  
*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, 2019, 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, 2019, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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. 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 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 27, 2020, 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.

*Hike & Company, PC*

Greenwood Village, Colorado  
February 27, 2020



**Morgan County School District Re-3**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2019**

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, 2019. 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, 2019 are as follows:

- The District experienced a reduction of \$61,496,991 in its total Net Pension Liability and a \$38,490,113 increase in its deferred inflows of resources related to its pension and OPEB related amounts. Morgan County School District Re-3's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$5,645,060 (net position).
- The District's total net position increased by \$34,425,989 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 \$15,603,249 compared to \$16,345,527 at the close of the prior fiscal year.
- Total ending fund balances for the governmental funds at June 30, 2019 included \$10,096,155 for the General Fund; \$302,617 for the Federal Programs Fund, \$2,877,995 for the Bond Redemption Fund, \$1,614,306 for the Building Fund that was created in fiscal year 2013-2014 and \$712,176 in the District's nonmajor governmental fund which represents the District's Food Service Fund. The \$1,614,306 in the Building Fund represents unspent bond proceeds and premiums earmarked for construction of the District's new Middle School and ongoing District facility improvements.
- At June 30, 2019, the General Fund had \$157,790 in nonspendable fund balance (inventories and prepaids), \$1,500,000 and \$355,213 in restricted fund balance for emergency reserve (TABOR) and the Colorado Preschool carryover funds respectively and one additional restriction in the amount of \$767,375 for Mill Levy Override funds.

**Morgan County School District Re-3**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2019**

**Financial Highlights (continued)**

- The General Fund identified assigned fund balances representing budgetary projects in the amount of \$1,270,993 and \$371,118 representing capital projects. The remaining balance of \$5,673,666 is reported as unassigned fund balance.
- Governmental Activities general revenues accounted for \$30,562,646 in revenue or 78% 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 \$8,782,926 or 22% of total revenues of \$39,345,572. The 2018-2019 grant revenue is higher than 2017-2018 due to the completion of the wing addition at the Sherman Early Child Hood Center that was two thirds funded by a Head Start Capital Construction Grant.

Total revenues were \$34,425,989 higher than expenses, which reflected the increase in net position from the prior year.

- The District governmental activities had \$4,919,583 in expenses. The District had reductions in expenses for 2018-2019 related to the reduction in pension and OPEB related amounts of \$31,293,511 as compared to an increase in expense for pension and OPEB related amounts of \$21,975,370 for 2017-2018 for a total change of \$53,268,881
- 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 2018-2019, the fund balance of the General Fund was \$10,096,155. Of this total, \$5,673,666 was unassigned.

The Federal Programs Fund balance showed a slight decrease of \$7,006 from the prior year resulting in an ending balance of \$302,617.

The Bond Redemption Fund showed revenues in excess of expenditures of \$58,214 for an ending balance of \$2,877,995.

The Building Fund had a fourth year ending fund balance of \$1,614,306 representing unexpended bond proceeds and premiums from the February 2015 bond issue.

**Morgan County School District Re-3**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2019**

**Financial Highlights (continued)**

The Food Service Fund is the District's only nonmajor governmental fund. The Food Service Fund showed revenues in excess of expenditures by \$4,602 for an ending balance of \$712,176.

**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.

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.

**Morgan County School District Re-3**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2019**

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

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

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 22-23 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).

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.

**Morgan County School District Re-3**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2019**

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

*Governmental funds: (continued)*

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 31-65 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.

**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 2019 as contained in the Statement of Net Position and compares that information to fiscal year 2018.

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2019**

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

As the table shows, total net position as of June 30, 2019 were:

**Table 1**  
**Condensed Statement of Net Position**

|                                                      | Total<br>Government Wide |                        | Total<br>Dollar<br>Change | Total<br>Percentage<br>Change |
|------------------------------------------------------|--------------------------|------------------------|---------------------------|-------------------------------|
|                                                      | 2019                     | 2018                   | 2019-2018                 | 2019-2018                     |
| <b>Assets</b>                                        |                          |                        |                           |                               |
| Current Assets                                       | \$ 19,975,779            | \$ 20,181,373          | \$ (205,594)              | (1.02%)                       |
| Net Capital Assets                                   | 61,166,275               | 59,623,344             | 1,542,931                 | 2.59%                         |
| <b>Total Assets</b>                                  | <b>81,142,054</b>        | <b>79,804,717</b>      | <b>1,337,337</b>          | <b>1.68%</b>                  |
| Total Deferred<br>Outflows of Resources              | 44,886,268               | 36,505,514             | 8,380,754                 | 22.96%                        |
| <b>Liabilities</b>                                   |                          |                        |                           |                               |
| Other Liabilities                                    | 6,529,029                | 5,995,134              | 533,895                   | 8.91%                         |
| Long-Term Liabilities                                | 81,542,982               | 145,274,888            | (63,731,906)              | (43.87%)                      |
| <b>Total Liabilities</b>                             | <b>88,072,011</b>        | <b>151,270,022</b>     | <b>(63,198,011)</b>       | <b>(41.78%)</b>               |
| Total Deferred<br>Inflows of Resources               | 43,601,371               | 5,111,258              | 38,490,113                | 753.05%                       |
| <b>Net Position</b>                                  |                          |                        |                           |                               |
| Invested in Capital<br>Assets Net of<br>Related Debt | 40,604,409               | 36,768,956             | 3,835,453                 | 10.43%                        |
| Restricted                                           | 5,507,775                | 4,603,294              | 904,481                   | 19.65%                        |
| Unrestricted                                         | (51,757,244)             | (81,443,299)           | 29,686,055                | (36.45%)                      |
| <b>Total Net Position</b>                            | <b>\$ (5,645,060)</b>    | <b>\$ (40,071,049)</b> | <b>\$ 34,425,989</b>      | <b>(85.91%)</b>               |

**Morgan County School District Re-3**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2019**

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

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

Total net position of the District's governmental activities increased by \$34,425,989 for the fiscal year ended June 30, 2019 which was a \$54,671,959 increase from the \$20,245,970 deficit experienced in 2017-2018.

The increase is attributable to a reduction in expenses of \$31,357,800 related to the reduction in the in Net Pension liability netted with the increase in the other postemployment expenses of \$64,289. The District also recognized \$1,866,628 of additional general revenues and expended an additional \$2,485,159 on capital assets mainly attributable to the construction of the new Head Start wing addition.

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2019**

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

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

Table 2  
Changes in Net Position

|                                   | <b>Total</b>                   |                        | <b>Total</b>         | <b>Total</b>      |
|-----------------------------------|--------------------------------|------------------------|----------------------|-------------------|
|                                   | <b>Governmental Activities</b> |                        | <b>Dollar</b>        | <b>Percentage</b> |
|                                   | <b>2019</b>                    | <b>2018</b>            | <b>Change</b>        | <b>Change</b>     |
|                                   |                                |                        | <b>2019-2018</b>     | <b>2019-2018</b>  |
| <b>Revenues</b>                   |                                |                        |                      |                   |
| Program Revenues                  |                                |                        |                      |                   |
| Charges for Services              | \$ 636,327                     | \$ 530,788             | \$ 105,539           | 19.88%            |
| Operating Grants & Contributions  | 5,760,925                      | 6,361,784              | (600,859)            | (9.44%)           |
| Capital Grants & Contributions    | 2,385,674                      | 736,007                | 1,649,667            | 224.14%           |
| General Revenues                  |                                |                        |                      |                   |
| Property Taxes                    | 11,578,325                     | 11,558,797             | 19,528               | 0.17%             |
| State Revenue                     | 18,572,489                     | 16,665,921             | 1,906,568            | 11.44%            |
| Insurance Proceeds                | 5,217                          | 235,429                | (230,212)            | (97.78%)          |
| Miscellaneous                     | 108,894                        | 65,987                 | 42,907               | 65.02%            |
| Interest Income                   | 297,721                        | 169,884                | 127,837              | 75.25%            |
| Special Item                      |                                |                        |                      |                   |
| Loss on capital asset disposition |                                | (448,031)              | 448,031              | 100.00%           |
| <b>Total Revenues</b>             | <b>39,345,572</b>              | <b>35,876,566</b>      | <b>3,469,006</b>     | <b>9.67%</b>      |
| <b>Expenses</b>                   |                                |                        |                      |                   |
| Instruction                       | 2,150,784                      | 31,150,304             | (28,999,520)         | (93.10%)          |
| Supporting Services               | 925,222                        | 21,914,552             | (20,989,330)         | (95.78%)          |
| Food Services                     | 1,071,795                      | 2,214,270              | (1,142,475)          | (51.60%)          |
| Interest                          | 771,782                        | 843,410                | (71,628)             | (8.49%)           |
| <b>Total Expenses</b>             | <b>4,919,583</b>               | <b>56,122,536</b>      | <b>(51,202,953)</b>  | <b>(91.23%)</b>   |
| Change In Net Position            | <b>\$ 34,425,989</b>           | <b>\$ (20,245,970)</b> | <b>\$ 54,671,959</b> | <b>(270.04%)</b>  |

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2019**

**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**

|                            | 2019                | 2018                   | Total<br>Dollar<br>Change | Total<br>Percent<br>Change |
|----------------------------|---------------------|------------------------|---------------------------|----------------------------|
| Instruction                | \$ 1,809,656        | \$ (26,623,343)        | \$ 28,432,999             | 106.80%                    |
| Support Services           | 2,175,242           | (20,552,235)           | 22,727,477                | 110.58%                    |
| Food Services              | 650,227             | (474,969)              | 1,125,196                 | 236.90%                    |
| Interest on Long-Term Debt | (771,782)           | (843,410)              | 71,628                    | 8.49%                      |
| <b>Total Expenses</b>      | <b>\$ 3,863,343</b> | <b>\$ (48,493,957)</b> | <b>\$ 52,357,300</b>      | <b>107.97%</b>             |

***Changes in Fund Balance 2019 to 2018***

The following tables (4 through 9) demonstrate a comparison in the changes in fund balances from the 2018 fiscal year to the current 2019 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 76 and 77.

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2019**

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

**Changes in Fund Balance: 2019 to 2018 (continued)**

**Table 4: General Department**

|                                               | 2019                | 2018               | Total<br>Dollar<br>Change | Total<br>Percent<br>Change |
|-----------------------------------------------|---------------------|--------------------|---------------------------|----------------------------|
| Revenues:                                     |                     |                    |                           |                            |
| Property Taxes                                | \$ 6,743,496        | \$ 6,822,493       | \$ (78,997)               | (1.16%)                    |
| Specific Ownership Taxes                      | 1,087,393           | 1,076,762          | 10,631                    | 0.99%                      |
| Intergovernmental                             | 3,005,110           | 2,527,648          | 477,462                   | 18.89%                     |
| State Equalization                            | 18,572,489          | 16,665,921         | 1,906,568                 | 11.44%                     |
| Other                                         | 466,450             | 343,464            | 122,986                   | 35.81%                     |
| Total Revenues                                | <u>29,874,938</u>   | <u>27,436,288</u>  | <u>2,438,650</u>          | <u>8.89%</u>               |
| Expenditures:                                 |                     |                    |                           |                            |
| Salaries                                      | 16,829,141          | 15,811,156         | 1,017,985                 | 6.44%                      |
| Benefits                                      | 7,034,179           | 5,986,848          | 1,047,331                 | 17.49%                     |
| Purchased Services                            | 1,560,654           | 1,348,251          | 212,403                   | 15.75%                     |
| Supplies/Materials                            | 1,424,521           | 1,521,562          | (97,041)                  | (6.38%)                    |
| Capital Outlay                                | 598,772             | 161,801            | 436,971                   | 270.07%                    |
| Other (net of indirect cost<br>reimbursement) | (52,432)            | (215,681)          | 163,249                   | (75.69%)                   |
| Total Expenditures                            | <u>27,394,835</u>   | <u>24,613,937</u>  | <u>2,780,898</u>          | <u>11.30%</u>              |
| Excess of Revenues over<br>Expenditures       | 2,480,103           | 2,822,351          | (342,248)                 | (12.13%)                   |
| Allocations and Transfers                     | <u>(2,689,034)</u>  | <u>(2,054,144)</u> | <u>(634,890)</u>          | <u>30.91%</u>              |
| Net Change in Fund Balances                   | <u>\$ (208,931)</u> | <u>\$ 768,207</u>  | <u>\$ (977,138)</u>       | <u>(127.20%)</u>           |

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2019**

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

**Changes in Fund Balance: 2019 to 2018 (continued)**

**Table 5: Mill Levy Department**

|                                   | 2019              | 2018               | Total<br>Dollar<br>Change | Total<br>Percent<br>Change |
|-----------------------------------|-------------------|--------------------|---------------------------|----------------------------|
| Revenues:                         |                   |                    |                           |                            |
| Property Taxes                    | \$ 548,279        | \$ 558,128         | \$ (9,849)                | (1.76%)                    |
| Other                             | 11,765            | 6,800              | 4,965                     | 73.01%                     |
| Total Revenues                    | <u>560,044</u>    | <u>564,928</u>     | <u>(4,884)</u>            | <u>(0.86%)</u>             |
| Expenditures:                     |                   |                    |                           |                            |
| Instruction & Supporting Services | 411,741           | 378,531            | 33,210                    | 8.77%                      |
| Capital Outlay                    | 29,031            | 263,539            | (234,508)                 | (88.98%)                   |
| Total Expenditures                | <u>440,772</u>    | <u>642,070</u>     | <u>(201,298)</u>          | <u>(31.35%)</u>            |
| Net Change in Fund Balances       | <u>\$ 119,272</u> | <u>\$ (77,142)</u> | <u>\$ 196,414</u>         | <u>(254.61%)</u>           |

**Table 6: Daycare Department**

|                             | 2019             | 2018             | Total<br>Dollar<br>Change | Total<br>Percent<br>Change |
|-----------------------------|------------------|------------------|---------------------------|----------------------------|
| Revenues:                   |                  |                  |                           |                            |
| Local Sources               | \$ 198,849       | \$ 185,370       | \$ 13,479                 | 7.27%                      |
| Other                       | 18,012           | 15,602           | 2,410                     | 15.45%                     |
| Total Revenues              | <u>216,861</u>   | <u>200,972</u>   | <u>15,889</u>             | <u>7.91%</u>               |
| Expenditures:               |                  |                  |                           |                            |
| Supporting Services         | <u>155,440</u>   | <u>138,613</u>   | <u>16,827</u>             | <u>12.14%</u>              |
| Net Change in Fund Balances | <u>\$ 61,421</u> | <u>\$ 62,359</u> | <u>\$ (938)</u>           | <u>(1.50%)</u>             |

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2019**

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

**Changes in Fund Balance: 2019 to 2018 (continued)**

**Table 7: Capital Reserve Department**

|                                     | <b>2019</b>         | <b>2018</b>       | <b>Dollar<br/>Change</b> | <b>Percent<br/>Change</b> |
|-------------------------------------|---------------------|-------------------|--------------------------|---------------------------|
| Revenues:                           |                     |                   |                          |                           |
| Intergovernmental                   | \$ 79,695           | \$ 111,843        | \$ (32,148)              | (28.74%)                  |
| Other                               | 34                  | 2,312             | (2,278)                  | (98.53%)                  |
| Total Revenues                      | <u>79,729</u>       | <u>114,155</u>    | <u>(34,426)</u>          | <u>(30.16%)</u>           |
| Expenditures:                       |                     |                   |                          |                           |
| Instruction                         |                     | 170               | (170)                    | (100.00%)                 |
| Supporting Services                 | 29,635              | 214,171           | (184,536)                | (86.16%)                  |
| Noncapital Outlay                   | 150,558             | 237,223           | (86,665)                 | (36.53%)                  |
| Capital Outlay                      | 1,700,096           | 481,644           | 1,218,452                | 252.98%                   |
| Total Expenditures                  | <u>1,880,289</u>    | <u>933,208</u>    | <u>947,081</u>           | <u>101.49%</u>            |
| Excess of Expenditures over Revenue | (1,800,560)         | (819,053)         | (981,507)                | 119.83%                   |
| Allocations and Transfers           | <u>1,053,317</u>    | <u>1,041,681</u>  | <u>11,636</u>            | <u>1.12%</u>              |
| Net Change in Fund Balances         | <u>\$ (747,243)</u> | <u>\$ 222,628</u> | <u>\$ (969,871)</u>      | <u>(435.65%)</u>          |

**Table 8: Insurance Department**

|                                     | <b>2019</b>        | <b>2018</b>      | <b>Dollar<br/>Change</b> | <b>Percent<br/>Change</b> |
|-------------------------------------|--------------------|------------------|--------------------------|---------------------------|
| Revenues:                           |                    |                  |                          |                           |
| Other Revenue                       | \$ 2,948           |                  | \$ 2,948                 | 100.00%                   |
| Investment Earnings                 | 748                | \$ 460           | 288                      | 62.61%                    |
| Total Revenues                      | <u>3,696</u>       | <u>460</u>       | <u>3,236</u>             | <u>703.48%</u>            |
| Expenditures:                       |                    |                  |                          |                           |
| Supporting Services                 | 553,534            | 546,889          | 6,645                    | 1.22%                     |
| Capital Outlay                      | 281,483            |                  | 281,483                  | 100.00%                   |
| Total Expenditures                  | <u>835,017</u>     | <u>546,889</u>   | <u>288,128</u>           | <u>52.68%</u>             |
| Excess of Revenues over Expenditure | <u>(831,321)</u>   | <u>(546,429)</u> | <u>(284,892)</u>         | <u>52.14%</u>             |
| Other Financing Sources             |                    |                  |                          |                           |
| Insurance Proceeds                  | 5,217              | 235,429          | (230,212)                | (97.78%)                  |
| Allocations and Transfers           | 775,000            | 375,000          | 400,000                  | 106.67%                   |
| Total Other Financing Sources       | <u>780,217</u>     | <u>610,429</u>   | <u>169,788</u>           | <u>27.81%</u>             |
| Net Change in Fund Balances         | <u>\$ (51,104)</u> | <u>\$ 64,000</u> | <u>\$ (115,104)</u>      | <u>(179.85%)</u>          |

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2019**

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

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

**Table 9: Preschool Department**

|                                      | <u>2019</u>       | <u>2018</u>      | <u>Dollar<br/>Change</u> | <u>Percent<br/>Change</u> |
|--------------------------------------|-------------------|------------------|--------------------------|---------------------------|
| Revenues:                            |                   |                  |                          |                           |
| Interest Income                      | \$ 51             | \$ 24            | \$ 27                    | 112.50%                   |
| Intergovernmental                    |                   | 1,094            | (1,094)                  | (100.00%)                 |
| Total Revenues                       | <u>51</u>         | <u>1,118</u>     | <u>(1,067)</u>           | <u>(95.44%)</u>           |
| Expenditures:                        |                   |                  |                          |                           |
| Instruction                          | 395,455           | 401,705          | (6,250)                  | (1.56%)                   |
| Supporting Services                  | 28,825            | 98,410           | (69,585)                 | (70.71%)                  |
| NonCapital Outlay                    | 23,055            | 5,143            | 17,912                   | 348.28%                   |
| Total Expenditures                   | <u>447,335</u>    | <u>505,258</u>   | <u>(57,923)</u>          | <u>(11.46%)</u>           |
| Excess of Expenditures over Revenues | (447,284)         | (504,140)        | 56,856                   | (11.28%)                  |
| Allocations and Transfers            | <u>709,704</u>    | <u>537,780</u>   | <u>171,924</u>           | <u>31.97%</u>             |
| Net Change in Fund Balances          | <u>\$ 262,420</u> | <u>\$ 33,640</u> | <u>\$ 228,780</u>        | <u>680.08%</u>            |

The overall change in the six departments of the General Fund was a \$564,165 decrease in fund balance. The General Department (Table 4) reflected an increase in total program funding which consisted of a \$1,906,568 increase in state equalization and a \$68,369 decrease in property and specific ownership tax. Intergovernmental revenue reflected an increase of \$477,462. The increased funding and a planned reduction in Fund Balance carry over provided the resources to cover the \$4,408,573 in additional General Fund expenditures, allocations and transfers. The increased expenditures also included a longevity bonus program that was implemented in 2018-2019 that included a retroactive payment for prior years of service for eligible employees.

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2019**

**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

|                    | 2019                 | 2018                 | Dollar<br>Change    | Percent<br>Change |
|--------------------|----------------------|----------------------|---------------------|-------------------|
| General            | \$ 10,096,155        | \$ 10,660,320        | \$ (564,165)        | (5.29%)           |
| Federal Programs   | 302,617              | 309,623              | (7,006)             | (2.26%)           |
| Bond Redemption    | 2,877,995            | 2,819,781            | 58,214              | 2.06%             |
| Building Fund      | 1,614,306            | 1,848,229            | (233,923)           | (12.66%)          |
| Food Services Fund | 712,176              | 707,574              | 4,602               | 0.65%             |
| Total              | <u>\$ 15,603,249</u> | <u>\$ 16,345,527</u> | <u>\$ (742,278)</u> | <u>(4.54%)</u>    |

The material change from above was generated from the General Fund with a fund balance decrease of \$564,165.

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 2018-2019 revenue was \$720,391 higher than the final budgeted projections. The State extended the one time rural funding of approximately \$500,000 for an additional year to 2018-2019. That additional funding accounted for about 70% of the additional revenue. Total General Fund actual expenditures were \$920,330 less than the final budgeted expenditures.

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2019**

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

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

Of the total expenditures, Instructional expenditures were 4.03% (\$726,684) higher 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 normally results in salary savings. The District incurred actual benefit costs in excess of the final budget amounts by \$549,404 which was attributable to additional employees eligible for the health insurance program and additional PERA retirement costs.

Supporting Services had a budget savings which amounted to \$1,647,014. The majority of those savings were in the other support category where the capital expenditures in the Mill Levy and Capital Reserve Departments were approximately \$509,823 less than the final budgeted amount which represents the earmarking of capital projects not completed during the year. The operations and maintenance department contributed an additional \$212,708 in savings compared to the final budget.

70.34% of the District's total program funding comes from State equalization funding (\$18,572,489), which is a \$1,906,568 increase from 2017-2018.

**Capital Assets and Debt Administration**

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

|                               | Governmental<br>Activities<br>2019 | Governmental<br>Activities<br>2018 |
|-------------------------------|------------------------------------|------------------------------------|
| Land                          | \$ 322,557                         | \$ 322,557                         |
| Construction in Progress      | 595,517                            | 900,759                            |
| Buildings and improvements    | 88,156,309                         | 84,081,685                         |
| Furniture and equipment       | 5,289,665                          | 4,901,228                          |
| Vehicles                      | 3,245,687                          | 3,245,687                          |
| Total                         | 97,609,735                         | 93,451,916                         |
| Less accumulated depreciation | (36,443,460)                       | (33,828,572)                       |
| Totals                        | <u>\$ 61,166,275</u>               | <u>\$ 59,623,344</u>               |

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2019**

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

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

The District had completed the majority of all construction on the new Head Start wing addition at Sherman Early Childhood Center by June 30. The construction will be all completed by the fall of 2019. The District received a \$2,600,000 capital construction grant from Head Start that financed the majority of the addition. The District contributed approximately \$1,000,000 of Capital Reserve Funds to complete the \$3,600,000 project.

***Long-Term Debt***

At June 30, 2019 the District had \$22,935,518 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 \$422,822 in long-term obligations includes compensated absences recorded by the District at year end which was a \$33,116 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>      |                      |                       |                       |
|--------------------------|----------------------|----------------------|-----------------------|-----------------------|
|                          | <u>2019</u>          | <u>2018</u>          | <u>Change</u>         | <u>Percent Change</u> |
| General Obligation Bonds | \$ 20,315,000        | \$ 22,470,000        | \$ (2,155,000)        | (9.59%)               |
| Bond Premium             | 2,197,696            | 2,459,236            | (261,540)             | (10.64%)              |
| Compensated Absences     | <u>422,822</u>       | <u>389,706</u>       | <u>33,116</u>         | <u>8.50%</u>          |
| Total                    | <u>\$ 22,935,518</u> | <u>\$ 25,318,942</u> | <u>\$ (2,383,424)</u> | <u>(9.41%)</u>        |

Further information for capital assets and long-term debt is available in notes 7 and 8 in the financial statements.

**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 2019-2020 compared to 2018-2019. It is anticipated that the State Legislature will not provide an additional year of funding under the Sustainability of Rural Colorado grant program for 2019-2020.

**Morgan County School District Re-3**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2019**

**Factors Bearing on the District's Future (continued)**

The District's contribution to the PERA retirement plan will be increased by an additional .25% for the 2019-2020 year. Future increases are tied to the ongoing funding status of the retirement plan. The District is planning a level premium for its health insurance coverage for 2019-2020. The District received a \$200,000 premium increase for its property and casualty insurance for 2019-2020 year and it is likely that there will be a smaller increase for 2020-2021.

In June 2019, the District was notified by Head Start that it was not selected as the ongoing grantee for the Head Start program. Having just completed the new wing addition for the program, the District elected to utilize the new classroom space by relocation the afterschool day care program and teen parent program from other District buildings and thereby relieving overcrowding at their existing school locations. The utilization of the new Head Start addition for other purposes would require the District to buy out the federal government's interest in the building from the \$2,600,000 grant received in 2017-2018.

In September 2019, the District obtained lease financing in the amount of \$3 million to purchase the federal government interest in the new Head Start wing addition. The federal interest buy out restores the District's ownership interest to 100% in the District's Sherman Early Childhood Center building which received the wing addition. The lease is payable in annually increasing principal payments of \$111,000 for 2020-2021 increasing to \$192,000 in 2039-2040 with interest accruing at 2.99% per annum for an annual total payment of approximately \$200,000 per year. The lease matures on December 1, 2039.

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.

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**Morgan County School District Re-3**  
**Statement of Net Position**  
**June 30, 2019**

|                                                        | <b>Governmental<br/>Activities</b> |
|--------------------------------------------------------|------------------------------------|
| <b>ASSETS</b>                                          |                                    |
| Cash and Investments                                   | \$ 13,613,821                      |
| Restricted Investments                                 | 4,680,417                          |
| Receivable from Treasurer                              | 106,386                            |
| Property Tax Receivable                                | 514,803                            |
| Accounts Receivable                                    | 229,245                            |
| Intergovernmental Receivable                           | 636,277                            |
| Internal Balances                                      | 3,573                              |
| Prepaid Expenses                                       | 89,397                             |
| Inventory                                              | 101,860                            |
| Capital Assets                                         |                                    |
| Land                                                   | 322,557                            |
| Construction In Progress                               | 595,517                            |
| Other Capital Assets - Net of Accumulated Depreciation | 60,248,201                         |
| <b>Total Assets</b>                                    | <b>81,142,054</b>                  |
| Deferred Outflows of Resources                         |                                    |
| Deferred Loss on Refunding Bonds                       | 180,070                            |
| Other Postemployment Benefit Related Amounts           | 244,817                            |
| Pensions, Net of Accumulated Amortization              | 44,461,381                         |
| <b>Total Deferred Outflows of Resources</b>            | <b>44,886,268</b>                  |
| <b>LIABILITIES</b>                                     |                                    |
| Accounts Payable                                       | 746,976                            |
| Due to Other Governments                               | 327                                |
| Accrued Salaries and Benefits                          | 2,919,383                          |
| Hospital Escrow                                        | 8,446                              |
| Accrued Interest Payable                               | 76,585                             |
| Retainage Payable                                      | 42,479                             |
| Unearned Revenue                                       | 419,241                            |
| Noncurrent Liabilities                                 |                                    |
| Due Within One Year                                    | 2,415,592                          |
| Due in More Than One Year                              | 20,519,926                         |
| Net Pension Liability                                  | 58,025,036                         |
| Other Postemployment Benefit Related Amounts           | 2,898,020                          |
| <b>Total Liabilities</b>                               | <b>88,072,011</b>                  |
| Deferred Inflows of Resources                          |                                    |
| Other Postemployment Benefit Related Amounts           | 4,411                              |
| Pensions, Net of Accumulated Amortization              | 43,596,960                         |
| <b>Total Deferred Inflows of Resources</b>             | <b>43,601,371</b>                  |
| <b>NET POSITION</b>                                    |                                    |
| Net Investment in Capital Assets                       | 40,604,409                         |
| Restricted for                                         |                                    |
| Emergency Reserve (TABOR)                              | 1,500,000                          |
| Mill Levy - Capital and Maintenance                    | 779,719                            |
| Debt Service                                           | 2,872,843                          |
| Preschool                                              | 355,213                            |
| Unrestricted (Deficit)                                 | (51,757,244)                       |
| <b>Total Net Position (Deficit)</b>                    | <b>\$ (5,645,060)</b>              |

**Morgan County School District Re-3**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2019**

|                                            | PROGRAM REVENUES    |                            |                                          |                                        | NET (EXPENSE)<br>REVENUE<br>AND CHANGES IN<br>NET POSITION |
|--------------------------------------------|---------------------|----------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------------|
|                                            | EXPENSES            | CHARGES<br>FOR<br>SERVICES | OPERATING<br>GRANTS AND<br>CONTRIBUTIONS | CAPITAL<br>GRANTS AND<br>CONTRIBUTIONS | GOVERNMENTAL<br>ACTIVITIES                                 |
| <b><u>FUNCTIONS/PROGRAMS</u></b>           |                     |                            |                                          |                                        |                                                            |
| PRIMARY GOVERNMENT                         |                     |                            |                                          |                                        |                                                            |
| Governmental Activities                    |                     |                            |                                          |                                        |                                                            |
| Instruction                                | \$ 2,150,784        | \$ 98,057                  | \$ 3,862,383                             |                                        | \$ 1,809,656                                               |
| Supporting Services                        | 925,222             | 273,192                    | 441,598                                  | \$ 2,385,674                           | 2,175,242                                                  |
| Food Services                              | 1,071,795           | 265,078                    | 1,456,944                                |                                        | 650,227                                                    |
| Interest on Long-Term Debt                 | 771,782             |                            |                                          |                                        | (771,782)                                                  |
| Total Governmental Activities              | <u>\$ 4,919,583</u> | <u>\$ 636,327</u>          | <u>\$ 5,760,925</u>                      | <u>\$ 2,385,674</u>                    | <u>3,863,343</u>                                           |
| GENERAL REVENUES                           |                     |                            |                                          |                                        |                                                            |
| Property and Specific Ownership Taxes      |                     |                            |                                          |                                        | 11,578,325                                                 |
| State Equalization                         |                     |                            |                                          |                                        | 18,572,489                                                 |
| Insurance Proceeds                         |                     |                            |                                          |                                        | 5,217                                                      |
| Miscellaneous                              |                     |                            |                                          |                                        | 108,894                                                    |
| Interest Income                            |                     |                            |                                          |                                        | 297,721                                                    |
| TOTAL GENERAL REVENUES                     |                     |                            |                                          |                                        | <u>30,562,646</u>                                          |
| CHANGE IN NET POSITION                     |                     |                            |                                          |                                        | 34,425,989                                                 |
| NET POSITION - BEGINNING OF YEAR (DEFICIT) |                     |                            |                                          |                                        | <u>(40,071,049)</u>                                        |
| NET POSITION - END OF YEAR (DEFICIT)       |                     |                            |                                          |                                        | <u>\$ (5,645,060)</u>                                      |

**Morgan County School District Re-3**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

|                                                                    | General<br>Fund      | Federal<br>Programs<br>Fund | Bond<br>Redemption<br>Fund | Building<br>Fund    |
|--------------------------------------------------------------------|----------------------|-----------------------------|----------------------------|---------------------|
| <b>ASSETS</b>                                                      |                      |                             |                            |                     |
| Cash and Investments                                               | \$ 12,752,029        | \$ 321,943                  |                            |                     |
| Restricted Investments                                             |                      |                             | \$ 2,804,900               | \$ 1,875,517        |
| Receivable from Treasurer                                          | 96,774               |                             | 9,612                      |                     |
| Property and S.O. Tax Receivable                                   | 386,075              |                             | 128,728                    |                     |
| Accounts Receivable                                                | 217,360              |                             |                            |                     |
| Intergovernmental Receivables                                      | 190,407              | 424,446                     |                            |                     |
| Interfund Receivable                                               | 368,738              | 708,646                     | 6,188                      | 89,036              |
| Prepaid Expenditures                                               | 82,837               | 5,831                       |                            |                     |
| Inventory                                                          | 74,953               |                             |                            |                     |
| Total Assets                                                       | <u>\$ 14,169,173</u> | <u>\$ 1,460,866</u>         | <u>\$ 2,949,428</u>        | <u>\$ 1,964,553</u> |
| <b>Liabilities:</b>                                                |                      |                             |                            |                     |
| Accounts Payable                                                   | \$ 458,800           | \$ 90,386                   |                            | \$ 193,792          |
| Hospital Escrow                                                    | 8,446                |                             |                            |                     |
| Accrued Salaries and Benefits                                      | 2,686,596            | 216,315                     |                            |                     |
| Due to Other Governments                                           |                      | 327                         |                            |                     |
| Interfund Payables                                                 | 754,512              | 389,920                     |                            | 156,455             |
| Unearned Revenue                                                   |                      | 419,241                     |                            |                     |
| Retainage Payable                                                  | 419                  | 42,060                      |                            |                     |
| Total Liabilities                                                  | <u>3,908,773</u>     | <u>1,158,249</u>            | <u>-</u>                   | <u>350,247</u>      |
| <b>Deferred Inflows of Resources</b>                               |                      |                             |                            |                     |
| Taxes                                                              | 164,245              |                             | 71,433                     |                     |
| Total Deferred Inflows of Resources                                | <u>164,245</u>       | <u>-</u>                    | <u>71,433</u>              | <u>-</u>            |
| <b>Fund Balances:</b>                                              |                      |                             |                            |                     |
| Nonspendable                                                       |                      |                             |                            |                     |
| Prepaid Expenditures                                               | 82,837               | 5,831                       |                            |                     |
| Inventory                                                          | 74,953               |                             |                            |                     |
| Restricted                                                         |                      |                             |                            |                     |
| Emergency Reserve (TABOR)                                          | 1,500,000            |                             |                            |                     |
| Capital Construction                                               |                      |                             |                            | 1,614,306           |
| Mill Levy - Capital and Maintenance                                | 767,375              |                             |                            |                     |
| Debt Service                                                       |                      |                             | 2,877,995                  |                     |
| Preschool                                                          | 355,213              |                             |                            |                     |
| Assigned                                                           |                      |                             |                            |                     |
| Subsequent Year's Budget                                           | 1,270,993            |                             |                            |                     |
| Food Service                                                       |                      |                             |                            |                     |
| Capital Projects/Replacements                                      | 371,118              |                             |                            |                     |
| District Grant Funding Set Aside                                   |                      | 296,786                     |                            |                     |
| Unassigned                                                         | 5,673,666            |                             |                            |                     |
| Total Fund Balances                                                | <u>10,096,155</u>    | <u>302,617</u>              | <u>2,877,995</u>           | <u>1,614,306</u>    |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 14,169,173</u> | <u>\$ 1,460,866</u>         | <u>\$ 2,949,428</u>        | <u>\$ 1,964,553</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 and grants receivable, are not available to pay current year expenditures and, therefore, are deferred in the funds.

Long-term liabilities and related items including bonds payable (\$20,315,000), bond premium (\$2,197,696), accrued interest payable (\$76,585), deferred loss on bond refunding \$180,070, compensated absences (\$422,822), net pension liability (\$58,025,036), other postemployment benefit liabilities (\$2,898,020), pension-related deferred outflows of resources \$44,461,381, other postemployment benefit deferred outflows of resources \$244,817, pension-related deferred inflows of resources (\$43,596,960), other postemployment deferred inflows of resources (\$4,411) are not due and payable in the current period and therefore are not reported in the funds.

Total Net position of governmental activities

| Nonmajor<br>Food Service<br>Fund | Total<br>Governmental<br>Funds |
|----------------------------------|--------------------------------|
| \$ 539,849                       | \$ 13,613,821                  |
|                                  | 4,680,417                      |
|                                  | 106,386                        |
|                                  | 514,803                        |
| 11,885                           | 229,245                        |
| 21,424                           | 636,277                        |
| 142,458                          | 1,315,066                      |
| 729                              | 89,397                         |
| 26,907                           | 101,860                        |
| <u>\$ 743,252</u>                | <u>\$ 21,287,272</u>           |

|               |                  |
|---------------|------------------|
| \$ 3,998      | \$ 746,976       |
|               | 8,446            |
| 16,472        | 2,919,383        |
|               | 327              |
| 10,606        | 1,311,493        |
|               | 419,241          |
|               | 42,479           |
| <u>31,076</u> | <u>5,448,345</u> |

|          |                |
|----------|----------------|
|          | 235,678        |
| <u>-</u> | <u>235,678</u> |

|                |                   |
|----------------|-------------------|
| 729            | 89,397            |
| 26,907         | 101,860           |
|                | 1,500,000         |
|                | 1,614,306         |
|                | 767,375           |
|                | 2,877,995         |
|                | 355,213           |
| 185,236        | 1,456,229         |
| 499,304        | 499,304           |
|                | 371,118           |
|                | 296,786           |
|                | 5,673,666         |
| <u>712,176</u> | <u>15,603,249</u> |

\$ 743,252

61,166,275

235,678

(82,650,262)

\$ (5,645,060)

**Morgan County School District Re-3**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2019**

|                                                      | <u>General</u>       | <u>Federal<br/>Programs<br/>Fund</u> | <u>Bond<br/>Redemption<br/>Fund</u> | <u>Building<br/>Fund</u> |
|------------------------------------------------------|----------------------|--------------------------------------|-------------------------------------|--------------------------|
| Revenues:                                            |                      |                                      |                                     |                          |
| Property Taxes                                       | \$ 7,291,775         |                                      | \$ 3,184,203                        |                          |
| Specific Ownership Taxes                             | 1,087,393            |                                      |                                     |                          |
| Intergovernmental                                    | 3,102,595            | \$ 3,960,515                         |                                     |                          |
| State Equalization                                   | 18,572,489           |                                      |                                     |                          |
| Interest Income                                      | 251,846              | 498                                  | -                                   | \$ 39,956                |
| Other                                                | 91,110               |                                      | 30                                  |                          |
| Local Sources                                        | 338,111              | 112,845                              |                                     |                          |
| Total Revenues                                       | <u>30,735,319</u>    | <u>4,073,858</u>                     | <u>3,184,233</u>                    | <u>39,956</u>            |
| Expenditures:                                        |                      |                                      |                                     |                          |
| Current                                              |                      |                                      |                                     |                          |
| Instruction                                          | 16,862,409           | 1,120,016                            |                                     |                          |
| Supporting Services                                  | 11,508,284           | 1,209,837                            | 4,250                               |                          |
| Food Services                                        |                      |                                      |                                     |                          |
| Debt Service                                         |                      |                                      |                                     |                          |
| Principal                                            |                      |                                      | 2,155,000                           |                          |
| Interest                                             |                      |                                      | 966,769                             |                          |
| Non Capital Outlay                                   | 749,038              | 39,982                               |                                     | 5,603                    |
| Capital Outlay                                       | 2,033,957            | 1,862,042                            |                                     | 268,276                  |
| Total Expenditures                                   | <u>31,153,688</u>    | <u>4,231,877</u>                     | <u>3,126,019</u>                    | <u>273,879</u>           |
| Excess (Deficiency) of<br>Revenues over Expenditures | <u>(418,369)</u>     | <u>(158,019)</u>                     | <u>58,214</u>                       | <u>(233,923)</u>         |
| Other Financing Sources (Uses):                      |                      |                                      |                                     |                          |
| Insurance Proceeds                                   | 5,217                |                                      |                                     |                          |
| Transfers In                                         |                      | 151,013                              |                                     |                          |
| Transfers Out                                        | (151,013)            |                                      |                                     |                          |
| Total Other Financing Sources (Uses)                 | <u>(145,796)</u>     | <u>151,013</u>                       | <u>-</u>                            | <u>-</u>                 |
| Net Change in Fund Balances                          | (564,165)            | (7,006)                              | 58,214                              | (233,923)                |
| Fund Balances - Beginning of the Year                | <u>10,660,320</u>    | <u>309,623</u>                       | <u>2,819,781</u>                    | <u>1,848,229</u>         |
| Fund Balances - End of the Year                      | <u>\$ 10,096,155</u> | <u>\$ 302,617</u>                    | <u>\$ 2,877,995</u>                 | <u>\$ 1,614,306</u>      |

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

| Nonmajor<br>Food Service<br>Fund | Total<br>Governmental<br>Funds |
|----------------------------------|--------------------------------|
|                                  | \$ 10,475,978                  |
|                                  | 1,087,393                      |
| \$ 1,452,008                     | 8,515,118                      |
|                                  | 18,572,489                     |
| 5,421                            | 297,721                        |
| 35,958                           | 127,098                        |
| 229,120                          | 680,076                        |
| <u>1,722,507</u>                 | <u>39,755,873</u>              |
|                                  | 17,982,425                     |
|                                  | 12,722,371                     |
| 1,688,556                        | 1,688,556                      |
|                                  | 2,155,000                      |
|                                  | 966,769                        |
| 9,109                            | 803,732                        |
| 20,240                           | 4,184,515                      |
| <u>1,717,905</u>                 | <u>40,503,368</u>              |
| <u>4,602</u>                     | <u>(747,495)</u>               |
|                                  | 5,217                          |
|                                  | 151,013                        |
|                                  | <u>(151,013)</u>               |
| -                                | <u>5,217</u>                   |
| 4,602                            | (742,278)                      |
| <u>707,574</u>                   | <u>16,345,527</u>              |
| <u>\$ 712,176</u>                | <u>\$ 15,603,249</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, 2019**

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

|                                                    |    |           |
|----------------------------------------------------|----|-----------|
| Net Change in Fund Balances of Governmental Funds. | \$ | (742,278) |
|----------------------------------------------------|----|-----------|

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. Further, the proceeds from the sale of those same capital assets are recorded as revenues in the fund statements but not in the statement of activities.

|                      |                |           |
|----------------------|----------------|-----------|
| Depreciation expense | \$ (2,641,584) |           |
| Net capital outlays  | 4,184,515      | 1,542,931 |

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:

|                                                  |          |         |
|--------------------------------------------------|----------|---------|
| Amortization of bond premium                     | 261,540  |         |
| Amortization of deferred loss on refunding bonds | (74,511) | 187,029 |

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:

|                             |  |           |
|-----------------------------|--|-----------|
| Repayment of bond principal |  | 2,155,000 |
|-----------------------------|--|-----------|

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.

7,958

In the statement of activities, certain operating expenses - compensated absences (sick leave), net pension liability and OPEB, and 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, pension and OPEB liability and related deferred inflows and outflows reported on the statement of activities.

|                                                                  |              |            |
|------------------------------------------------------------------|--------------|------------|
| Compensated absences                                             | (33,116)     |            |
| Change in the net pension liability                              | 61,496,991   |            |
| Change in the net other postemployment benefit liability         | (168,632)    |            |
| Change in pension related deferred outflows                      | 8,392,174    |            |
| Change in other postemployment benefit related deferred outflows | 63,091       |            |
| Change in pension related deferred inflows                       | (38,531,365) |            |
| Change in other postemployment benefit related deferred inflows  | 41,252       | 31,260,395 |

Some revenues reported in the statement of activities do not provide current financial resources, and are therefore deferred in governmental funds.

|                                   |  |        |
|-----------------------------------|--|--------|
| Change in deferred property taxes |  | 14,954 |
|-----------------------------------|--|--------|

|                                                    |    |            |
|----------------------------------------------------|----|------------|
| Change in net position of governmental activities. | \$ | 34,425,989 |
|----------------------------------------------------|----|------------|

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, 2019**

|                                         | <b>Private-Purpose<br/>Trust<br/>Fund</b> | <b>Agency<br/>Funds</b> |
|-----------------------------------------|-------------------------------------------|-------------------------|
|                                         | <hr/>                                     | <hr/>                   |
| <b>ASSETS</b>                           |                                           |                         |
| Cash and Investments                    | \$ 117,835                                | \$ 748,192              |
| Prepaid Expenses                        |                                           | 1,695                   |
| Accounts Receivable                     | 24                                        | 437                     |
|                                         | <hr/>                                     | <hr/>                   |
| Total Assets                            | 117,859                                   | \$ 750,324              |
|                                         | <hr/>                                     | <hr/>                   |
| <b>LIABILITIES</b>                      |                                           |                         |
| Due To Student/Community Organizations  |                                           | \$ 427,779              |
| Funds Held for Others                   |                                           | 295,704                 |
| Accounts Payable                        |                                           | 26,841                  |
|                                         | <hr/>                                     | <hr/>                   |
| Total Liabilities                       | -                                         | \$ 750,324              |
|                                         | <hr/>                                     | <hr/>                   |
| <b>NET POSITION</b>                     |                                           |                         |
| Held in Trust for Scholarships/Students | 30,599                                    |                         |
| Held in Trust for Endowments            | 87,260                                    |                         |
|                                         | <hr/>                                     |                         |
| Total Net Position                      | \$ 117,859                                |                         |
|                                         | <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, 2019**

|                                      | <u>Private-Purpose<br/>Trust<br/>Fund</u> |
|--------------------------------------|-------------------------------------------|
| Additions:                           |                                           |
| Contributions and Donations          | \$ 228,954                                |
| Interest Income                      | <u>802</u>                                |
| Total Additions                      | 229,756                                   |
| Deductions:                          |                                           |
| Scholarship Awards                   | <u>262,709</u>                            |
| Change in Net Position               | (32,953)                                  |
| Net Position - Beginning of the Year | <u>150,812</u>                            |
| Net Position - End of the Year       | <u><u>\$ 117,859</u></u>                  |

**Morgan County School District Re-3**  
***Notes to Financial Statements***  
**June 30, 2019**

**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, 2019**

**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, 2019**

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

**(B) Fund Accounting (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, 2019**

**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, 2019**

**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.

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.

**Morgan County School District Re-3**  
***Notes to Financial Statements***  
**June 30, 2019**

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

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

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.

**(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.

**Morgan County School District Re-3**  
***Notes to Financial Statements***  
**June 30, 2019**

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

**(F) Interfund Receivables/Payables**

Any residual balances outstanding between the governmental activities and fiduciary funds are reported in the district-wide financial statements as internal balances.

**(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. 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.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2019**

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

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

Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u>         | <u>Governmental<br/>Activities<br/>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. 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.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2019**

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

**(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.

The other deferred outflows are shown as pension and other post-employment benefit (OPEB) related amounts and includes items related to the District's portion of the Colorado Public Employees Retirement Association (PERA) benefit plans. This includes the difference between expected and actual experience, any changes of assumptions or other inputs, and the net difference between projected and actual investment earnings on pension and OPEB plan investments.

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 and pension and OPEB related inflows) reported 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.

These deferred inflows result from the difference between expected and actual experience, the changes of assumptions of other inputs, and the net difference between projected and actual investment earnings on pension and OPEB plan investments.

**Morgan County School District Re-3**  
***Notes to Financial Statements***  
**June 30, 2019**

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

**(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). 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.

**Morgan County School District Re-3**  
***Notes to Financial Statements***  
**June 30, 2019**

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

**(M) Fund Balances (continued)**

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.

**(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**

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.

**Morgan County School District Re-3**  
***Notes to Financial Statements***  
**June 30, 2019**

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

**(P) Compensated Absences (continued)**

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.

**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, 2019, the District had bank deposits of \$4,532,168 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

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2019**

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

**(B) Investments (continued)**

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.

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, 2019, 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, 2019, the District had the following investments:

| <u>Investments</u>                                   | <u>Maturities</u>  | <u>Total</u>                |
|------------------------------------------------------|--------------------|-----------------------------|
| COLOTRUST                                            | Less than one year | \$ 6,704,690                |
| CSAFE                                                | Less than one year | 4,502,410                   |
| Federated Government Obligation<br>Money Market Fund | Less than one year | 2,804,900                   |
| <b>Total</b>                                         |                    | <u><u>\$ 14,012,000</u></u> |

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2019**

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

**(B) Investments (continued)**

The cash held in the money market account (\$2,804,900) is required to be used for the payment of long term Debt (see Note 8) and \$1,745,060 held in CSAFE is required to be used for capital construction. In addition, the District has \$130,457 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.

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;<br/>Investments</u> |
|------------------------------------------------|----------------------|---------------------|-----------------------------------------|
| Combined General Fund                          |                      |                     |                                         |
| General Department                             | \$ 8,302,452         | \$ 2,129,200        | \$ 10,431,652                           |
| Mill Levy Department                           | 789,095              | 46,835              | 835,930                                 |
| Daycare Department                             | 7,946                | 172,306             | 180,252                                 |
| Capital Reserve Department                     | 1,477                | 262,062             | 263,539                                 |
| Insurance Department                           | 32,467               | 603,353             | 635,820                                 |
| Colorado Preschool Department                  | 1,188                | 403,648             | 404,836                                 |
| Total Combined General Fund                    | <u>9,134,625</u>     | <u>3,617,404</u>    | <u>12,752,029</u>                       |
| Federal Programs Fund                          | 21,631               | 300,312             | 321,943                                 |
| Bond Redemption Fund                           | 2,804,900            | -                   | 2,804,900                               |
| Building Fund                                  | 1,745,060            | 130,457             | 1,875,517                               |
| Food Services Fund                             | 220,596              | 319,253             | 539,849                                 |
| Private Purpose Trust Fund                     | -                    | 117,835             | 117,835                                 |
| Agency Fund                                    | 85,188               | 663,004             | 748,192                                 |
| Total Cash and Investments                     | <u>14,012,000</u>    | <u>5,148,265</u>    | <u>19,160,265</u>                       |
| Less Cash Held By Third Parties                |                      |                     |                                         |
| General Fund Department                        |                      |                     |                                         |
| BEST Health Trust (See Note 14)                |                      | (500,000)           | (500,000)                               |
| Building Fund                                  |                      |                     |                                         |
| CDE Capital Construction Division              |                      | (130,457)           | (130,457)                               |
| Total Cash and Investments<br>Held By District | <u>\$ 14,012,000</u> | <u>\$ 4,517,808</u> | <u>\$ 18,529,808</u>                    |

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2019**

**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, 2019 consist of the following:

|                               | <u>Interfund<br/>Receivables</u> | <u>Interfund<br/>Payables</u> |
|-------------------------------|----------------------------------|-------------------------------|
| General Fund                  |                                  |                               |
| General Fund Department       | \$ 142,995                       | \$ 447,006                    |
| Daycare                       | 1,617                            |                               |
| Capital Reserve               | 223,996                          | 20,703                        |
| Insurance                     |                                  | 281,483                       |
| Colorado Preschool Department | 130                              | 5,320                         |
| Total General Fund            | <u>368,738</u>                   | <u>754,512</u>                |
| Federal Programs Fund         | 708,646                          | 389,920                       |
| Bond Redemption Fund          | 6,188                            |                               |
| Building Fund                 | 89,036                           | 156,455                       |
| Food Service Fund             | 142,458                          | 10,606                        |
| Total Governmental Funds      | <u>1,315,066</u>                 | <u>1,311,493</u>              |
| Pupil Activity Fund           |                                  | 3,573                         |
| Total Governmental Funds      | <u>\$ 1,315,066</u>              | <u>\$ 1,315,066</u>           |

Any residual balances outstanding between the governmental activities and fiduciary funds are reported in the district-wide financial statements as internal balances.

The interfund transfers for the fiscal year ended June 30, 2019 are as follows:

|                            | <u>Transfers In</u> | <u>Transfers Out</u> |
|----------------------------|---------------------|----------------------|
| <u>Governmental Funds:</u> |                     |                      |
| General Fund               |                     | \$ 151,013           |
| Federal Programs           | \$ 151,013          |                      |

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, 2019**

**NOTE (5) Capital Assets**

For the year ended June 30, 2019, the District charged \$2,153,425 and \$488,159 in depreciation expense to Instruction and Supporting Services respectively.

Activity of depreciated capital assets for the fiscal year ended June 30, 2019, is as follows:

**Governmental Activities**

|                                                       | Balance<br>6/30/2018 | Additions           | Deletions           | Balance<br>6/30/2019 |
|-------------------------------------------------------|----------------------|---------------------|---------------------|----------------------|
| Non-depreciable capital assets:                       |                      |                     |                     |                      |
| Land and Water Rights                                 | \$ 322,557           | \$ -                | \$ -                | \$ 322,557           |
| Construction in Progress                              | 900,759              | 595,517             | (900,759)           | 595,517              |
| <b>Total Non-depreciable Assets</b>                   | <b>1,223,316</b>     | <b>595,517</b>      | <b>(900,759)</b>    | <b>918,074</b>       |
| <b>Capital Assets Being Depreciated</b>               |                      |                     |                     |                      |
| Buildings and improvements                            | 84,081,685           | 4,074,624           | -                   | 88,156,309           |
| Furniture and Equipment                               | 4,901,228            | 415,133             | (26,696)            | 5,289,665            |
| Vehicles                                              | 3,245,687            | -                   | -                   | 3,245,687            |
| <b>Total Capital Assets<br/>Being Depreciated</b>     | <b>92,228,600</b>    | <b>4,489,757</b>    | <b>(26,696)</b>     | <b>96,691,661</b>    |
| Less accumulated<br>depreciation for:                 |                      |                     |                     |                      |
| Buildings and improvements                            | (28,029,013)         | (2,185,824)         | -                   | (30,214,837)         |
| Furniture and Equipment                               | (3,037,207)          | (338,674)           | 26,696              | (3,349,185)          |
| Vehicles                                              | (2,762,352)          | (117,086)           | -                   | (2,879,438)          |
| <b>Total Accumulated<br/>Depreciation</b>             | <b>(33,828,572)</b>  | <b>(2,641,584)</b>  | <b>26,696</b>       | <b>(36,443,460)</b>  |
| <b>Total Capital Assets<br/>Being Depreciated</b>     | <b>58,400,028</b>    | <b>1,848,173</b>    | <b>-</b>            | <b>60,248,201</b>    |
| <b>Net Capital Assets<br/>Governmental Activities</b> | <b>\$ 59,623,344</b> | <b>\$ 2,443,690</b> | <b>\$ (900,759)</b> | <b>\$ 61,166,275</b> |

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2019**

**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, 2019, accrued salaries and benefits were as follows:

|                                   |                                |
|-----------------------------------|--------------------------------|
| General Fund                      |                                |
| General Department                | \$ 2,611,868                   |
| Mill Levy Department              | 11,398                         |
| Daycare Department                | 19,719                         |
| Colorado Preschool Department     | 43,611                         |
| Total General Fund                | <u>2,686,596</u>               |
| <br>Federal Programs Fund         | <br>216,315                    |
| Food Service Fund                 | <u>16,472</u>                  |
| <br>Total Governmental Activities | <br><u><u>\$ 2,919,383</u></u> |

**NOTE (7) Changes in Long – Term Debt**

The changes in governmental activities long-term debt for the year ended June 30, 2019, are as follows:

|                                     | Balance at<br>June 30, 2018 | Additions             | Deletions               | Balance at<br>June 30, 2019     | Due Within<br>One Year  |
|-------------------------------------|-----------------------------|-----------------------|-------------------------|---------------------------------|-------------------------|
| Bonds Payable                       | \$ 22,470,000               |                       | \$ 2,155,000            | \$ 20,315,000                   | \$ 2,255,000            |
| Bond Premium                        | 2,459,236                   |                       | 261,540                 | 2,197,696                       |                         |
| Compensated Absences                | 389,706                     | 193,933               | 160,817                 | 422,822                         | 160,592                 |
| <br>Totals                          | <br><u>\$ 25,318,942</u>    | <br><u>\$ 193,933</u> | <br><u>\$ 2,577,357</u> | <br>22,935,518                  | <br><u>\$ 2,415,592</u> |
| <br>Less Amount Due Within One Year |                             |                       |                         | <br><u>(2,415,592)</u>          |                         |
| <br>Due in More Than One Year       |                             |                       |                         | <br><u><u>\$ 20,519,926</u></u> |                         |

Compensated absences will be liquidated by the General Fund.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2019**

**NOTE (8) 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 matured on December 1, commencing December 1, 2010, with interest payable semi-annually on June 1 and December 1 commencing December 1, 2007. The bonds matured on December 1, 2018 and were paid in full.

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>        |
|-----------------|----------------------|------------------------------------|-----------------------------|---------------------|
| 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>\$ 4,520,000</u>                | <u>\$ 338,800</u>           | <u>\$ 4,858,800</u> |

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.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2019**

**NOTE (8) Bonds Payable (continued)**

**Bonds Payable, 2014 Series (continued)**

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<br/>Rate</u> | <u>Principal<br/>Maturing<br/>For Year</u> | <u>Interest<br/>Requirement</u> | <u>Total</u>        |
|-----------------|--------------------------|--------------------------------------------|---------------------------------|---------------------|
| 2019-2020       | 3.50%                    | \$ 405,000                                 | \$ 234,787                      | \$ 639,787          |
| 2020-2021       | 3.50%                    | 415,000                                    | 220,437                         | 635,437             |
| 2021-2022       | 3.50%                    | 425,000                                    | 205,737                         | 630,737             |
| 2022-2023       | 3.50%                    | 940,000                                    | 181,850                         | 1,121,850           |
| 2023-2024       | 4.00%                    | 975,000                                    | 145,900                         | 1,120,900           |
| 2024-2027       | 4.00%                    | 3,160,000                                  | 193,000                         | 3,353,000           |
|                 |                          | <u>\$ 6,320,000</u>                        | <u>\$ 1,181,711</u>             | <u>\$ 7,501,711</u> |

**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.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2019**

**NOTE (8) Bonds Payable (continued)**

Bonds Payable, 2015 Series (continued)

The General Obligation Bonds are summarized as follows:

| <u>Maturity</u> | <u>Interest<br/>Rate</u> | <u>Principal<br/>Maturing<br/>For Year</u> | <u>Interest<br/>Requirement</u> | <u>Total</u>         |
|-----------------|--------------------------|--------------------------------------------|---------------------------------|----------------------|
| 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              |
| 2023-2024       | 5.00%                    | 485,000                                    | 374,875                         | 859,875              |
| 2024-2029       | 5.00%                    | 2,820,000                                  | 1,475,000                       | 4,295,000            |
| 2029-2034       | 5.00%                    | 3,605,000                                  | 676,125                         | 4,281,125            |
| 2034-2035       | 5.00%                    | 830,000                                    | 20,750                          | 850,750              |
|                 |                          | <u>\$ 9,475,000</u>                        | <u>\$ 4,268,775</u>             | <u>\$ 13,743,775</u> |

**NOTE (9) 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.

**Morgan County School District Re-3**  
***Notes to Financial Statements***  
**June 30, 2019**

**NOTE (9) Defined Benefit Pension Plan (continued)**

The retirement benefit is the greater of the a) highest average salary 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. State statutes stipulate that no annual increases will occur before July 1, 2020. Thereafter retirees will receive an annual increase of the lesser of 1.5% or the average consumer price index for the prior calendar year, with certain limitations. The automatic adjustment provision specified in State statutes may raise or lower the aforementioned annual increase for a given year by up to 0.25%.

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.

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. In addition, in accordance with Title 24, Article 51, Part 414 of the CRS, beginning on July 1, 2018, the State is required to contribute a total of \$225 million to PERA in a manner that is proportionate to the annual payroll of specified divisions of PERA, a portion of which is allocated to the SDTF. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees was 8% of covered salaries. The District's contribution rate for calendar year 2018, and through June 30, 2019, was 20.15% of covered salaries. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 10). The District's contributions to the SDTF for the year ended June 30, 2019, were \$3,534,153, equal to the required contributions.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2019**

**NOTE (9) Defined Benefit Pension Plan (continued)**

Effective July 1, 2019, employee and employer contribution rates are 8.75% and 20.4%, respectively. As provided in the automatic adjustment provision specified in State statutes, member and employer contributions will adjust annually beginning July 1, 2020, to ensure that PERA is able to eliminate its unfunded liability. Both member and employer contribution rates can increase (or decrease) each year, not to exceed an additional 2%.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

|                                                                                          |                      |
|------------------------------------------------------------------------------------------|----------------------|
| District's proportionate share of the net pension liability                              | \$ 58,025,036        |
| State's proportionate share of the net pension liability<br>associated with the District | <u>7,934,118</u>     |
| Total                                                                                    | \$ <u>65,959,154</u> |

At June 30, 2019, the District reported a net pension liability of \$58,025,036 representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018.

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, 2018, relative to the contributions of all participating employers. At December 31, 2018, the District's proportion was 0.3276944674%, which was a decrease of 0.0419257045% from its proportion measured at December 31, 2017.

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.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2019**

**NOTE (9) Defined Benefit Pension Plan (continued)**

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.

For the year ended June 30, 2019, the District recognized pension expense of \$27,778,950 and revenue of \$40,761 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                             | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|-----------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience                          | \$ 1,968,266                                  |                                              |
| Changes of assumptions and other inputs                                     | 10,830,621                                    | \$36,085,330                                 |
| Net difference between projected and actual earnings<br>on plan investments | 3,162,725                                     |                                              |
| Changes in proportion                                                       | 26,262,699                                    | 7,511,630                                    |
| Contributions subsequent to the measurement date                            | <u>2,237,070</u>                              |                                              |
| Total                                                                       | <u>\$44,461,381</u>                           | <u>\$43,596,960</u>                          |

District contributions subsequent to the measurement date of \$2,237,070 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,

|       |                      |
|-------|----------------------|
| 2020  | \$13,463,488         |
| 2021  | (6,912,245)          |
| 2022  | (9,653,967)          |
| 2023  | <u>1,730,075</u>     |
| Total | <u>\$(1,372,649)</u> |

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2019**

**NOTE (9) Defined Benefit Pension Plan (continued)**

*Actuarial Assumptions* – The actuarial valuation as of December 31, 2017, determined the total pension liability using the following actuarial assumptions and other inputs. The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017, to December 31, 2018:

|                                                                                                    | <u>Assumptions</u> | <u>Revised<br/>Assumptions</u> |
|----------------------------------------------------------------------------------------------------|--------------------|--------------------------------|
| Price inflation                                                                                    | 2.40%              | 2.40%                          |
| Real wage growth                                                                                   | 1.10%              | 1.10%                          |
| Wage inflation                                                                                     | 3.50%              | 3.50%                          |
| Salary increases, including wage inflation                                                         | 3.5% - 9.7%        | 3.5% - 9.7%                    |
| Long-term investment rate of return, net of plan<br>investment expenses, including price inflation | 7.25%              | 7.25%                          |
| Discount rate                                                                                      | 4.78%              | 7.25%                          |
| Post-retirement benefit increases:                                                                 |                    |                                |
| Hired prior to 1/1/07                                                                              | 2%                 |                                |
| through 2019                                                                                       |                    | 0%                             |
| maximum thereafter, compounded annually                                                            |                    | 1.5%                           |
| Hired after 12/31/06                                                                               | ad hoc             | ad hoc                         |

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.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2019**

**NOTE (9)     Defined Benefit Pension Plan (continued)**

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and 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 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 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the rates specified in State statutes and that covered payroll will increase annually at 3.5%. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, with certain limitations. In addition, the projection assumes the State will provide an annual direct distribution of \$225 million until the PERA pension plans are fully funded. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments to current participants.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2019**

**NOTE (9) Defined Benefit Pension Plan (continued)**

Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate at the prior measurement date was 4.78%.

*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 7.25%, 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 (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

|                                                     | 1% Decrease<br>(6.25%) | Current<br>Discount Rate<br>(7.25%) | 1% Increase<br>(8.25%) |
|-----------------------------------------------------|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net<br>pension liability | <u>\$73,768,907</u>    | <u>\$58,025,036</u>                 | <u>\$44,813,274</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).

**NOTE (10) 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.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2019**

**NOTE (10) Postemployment Healthcare Benefits (continued)**

**General Information (continued)**

*Benefits Provided (continued)*

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 9) 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, 2019, was \$188,439, equal to the required amount.

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

At June 30, 2019, the District reported a net OPEB liability of \$2,898,020, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2018.

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, 2018, relative to the contributions of all participating employers.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2019**

NOTE (10) **Postemployment Healthcare Benefits (continued)**

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

At December 31, 2018, the District's proportion was 0.2130048354%, which was an increase of 0.0029872600% from its proportion measured at December 31, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$254,777. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                                             | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|-----------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience                          | \$ 10,520                                     | \$4,411                                      |
| Changes of assumptions and other inputs                                     | 20,330                                        |                                              |
| Net difference between projected and actual earnings<br>on plan investments | 16,665                                        |                                              |
| Changes in proportion                                                       | 77,898                                        |                                              |
| Contributions subsequent to the measurement date                            | <u>119,404</u>                                |                                              |
| Total                                                                       | <u><u>\$244,817</u></u>                       | <u><u>\$4,411</u></u>                        |

District contributions subsequent to the measurement date of \$119,404 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2019**

**NOTE (10) Postemployment Healthcare Benefits (continued)**

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,

|       |           |
|-------|-----------|
| 2020  | \$24,537  |
| 2021  | 24,537    |
| 2022  | 24,537    |
| 2023  | 36,115    |
| 2024  | 10,887    |
| 2025  | 389       |
|       | <hr/>     |
| Total | \$121,002 |
|       | <hr/>     |

*Actuarial Assumptions* – The actuarial valuation as of December 31, 2017, 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:                                                                            |       |
| 3.25% for 2018, gradually rising to 5.00% in 2025                                                    |       |

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.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
**June 30, 2019**

**NOTE (10) Postemployment Healthcare Benefits (continued)**

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

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.

The actuarial assumptions used in the December 31, 2017, 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.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and 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 9.

*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. The discount rate at the prior measurement date was 7.25%.

**Morgan County School District Re-3**  
**Notes to Financial Statements**  
June 30, 2019

NOTE (10) **Postemployment Healthcare Benefits (continued)**

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

*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:

|                                               | 1%<br>Decrease<br>(6.25%) | Current<br>Discount<br>Rate<br>(7.25%) | 1%<br>Increase<br>(8.25%) |
|-----------------------------------------------|---------------------------|----------------------------------------|---------------------------|
| Proportionate share of the net OPEB liability | <u>\$3,242,632</u>        | <u>\$2,898,020</u>                     | <u>\$2,603,409</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:

|                                               | 1%<br>Decrease     | Current<br>Healthcare<br>Cost Trend<br>Rates | 1%<br>Increase     |
|-----------------------------------------------|--------------------|----------------------------------------------|--------------------|
| Proportionate share of the net OPEB liability | <u>\$2,817,994</u> | <u>\$2,898,020</u>                           | <u>\$2,990,064</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).

**Morgan County School District Re-3**  
***Notes to Financial Statements***  
**June 30, 2019**

**NOTE (11) 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, 2019, the District paid \$232,192 for those services which included \$8,675 paid for administrative services. Separate financial statements for the BOCES are available at 2020 Clubhouse Drive, Greeley, CO, 80634.

**NOTE (12) 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.

**Morgan County School District Re-3**  
***Notes to Financial Statements***  
**June 30, 2019**

**NOTE (12) Tax, Spending and Debt Limitations (continued)**

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, 2019, the District has restricted fund balance of \$1,500,000 in the General Fund for this reserve.

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 (13) 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, 2019.

**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. The District approved additional contract change order in the amount of \$356,341 for a total revised contract of \$3,319,841. As of June 30, 2019, the District had incurred \$3,817,738 in construction costs for the wing addition.

**Morgan County School District Re-3**  
***Notes to Financial Statements***  
**June 30, 2019**

**NOTE (14) 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.

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 2019 was \$3,500. There is no lifetime maximum benefit for plan members.

**Morgan County School District Re-3**  
***Notes to Financial Statements***  
**June 30, 2019**

**NOTE (14) Risk Management (continued)**

**BEST Health Plan (continued)**

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.

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 CFR balance at June 30, 2018 was \$500,000 and there were no additional changes for 2018-2019 and therefore the balance at June 30, 2019 did not change from June 30, 2018.

**NOTE (15) 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 (16) Subsequent Event**

In September 2019, the District obtained lease financing in the amount of \$3 million to purchase the federal government interest in the new Head Start wing addition. The federal interest buy out restores the District's ownership interest to 100% in the District's Sherman Early Childhood Center building which received the wing addition.

The lease is payable in annually increasing principal payments of \$111,000 for 2020-2011 increasing to \$192,000 in 2039-2040 with interest accruing at 2.99% per annum for an annual total payment of approximately \$200,000 per year. The lease matures on December 1, 2039.

**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, 2019**

PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

|                                                                                                | 12/31/18             | 12/31/17              | 12/31/16              | 12/31/15             | 12/31/14             | 12/31/13             |
|------------------------------------------------------------------------------------------------|----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|
| District's Proportion of the Net Pension Liability                                             | <u>0.3276944674%</u> | <u>0.3696201719%</u>  | <u>0.3602611241%</u>  | <u>0.3617443754%</u> | <u>0.3656166177%</u> | <u>0.3707465781%</u> |
| District's Proportionate Share of the Net Pension Liability                                    | \$ 58,025,036        | \$ 119,522,027        | \$ 107,263,668        | \$ 55,326,248        | \$ 49,553,333        | \$ 47,288,626        |
| State's Proportionate Share of the Net Pension Liability Associated with the District          | <u>7,934,118</u>     | <u>-</u>              | <u>-</u>              | <u>-</u>             | <u>-</u>             | <u>-</u>             |
| Total Proportionate Share                                                                      | <u>\$ 65,959,154</u> | <u>\$ 119,522,027</u> | <u>\$ 107,263,668</u> | <u>\$ 55,326,248</u> | <u>\$ 49,553,333</u> | <u>\$ 47,288,626</u> |
| District's Covered Payroll                                                                     | \$ 18,015,263        | \$ 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 | 322%                 | 701%                  | 663%                  | 351%                 | 324%                 | 316%                 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                     | 57%                  | 44%                   | 43%                   | 59%                  | 63%                  | 64%                  |

DISTRICT CONTRIBUTIONS

|                                                                    | 6/30/19            | 6/30/18            | 6/30/17            | 6/30/16            | 6/30/15            | 6/30/14            |
|--------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Statutorily Required Contribution                                  | \$ 3,534,150       | \$ 3,315,227       | \$ 3,045,963       | \$ 2,830,814       | \$ 2,614,912       | \$ 2,422,215       |
| Contributions in Relation to the Statutorily Required Contribution | <u>(3,534,150)</u> | <u>(3,315,227)</u> | <u>(3,045,963)</u> | <u>(2,830,814)</u> | <u>(2,614,912)</u> | <u>(2,422,215)</u> |
| Contribution Deficiency (Excess)                                   | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| District's Covered Payroll                                         | \$ 18,474,374      | \$ 17,552,824      | \$ 16,570,403      | \$ 15,959,719      | \$ 15,481,355      | \$ 15,147,263      |
| Contributions as a Percentage of Covered Payroll                   | 19.13%             | 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, 2019**

|                                                                                                | <u>12/31/18</u>  | <u>12/31/17</u>  |
|------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Proportionate Share of the Net OPEB Liability</b>                                           |                  |                  |
| District's Proportion of the Net OPEB Liability                                                | 0.2130048354%    | 0.2100175754%    |
| District's Proportionate Share of the Net OPEB Liability                                       | \$ 2,898,020     | \$ 2,729,388     |
| District's Covered Payroll                                                                     | \$ 18,015,263    | \$ 17,050,207    |
| District's Proportionate Share of the Net OPEB Liability<br>as a Percentage of Covered Payroll | 16%              | 16%              |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability                        | 17%              | 18%              |
|                                                                                                | <u>6/30/19</u>   | <u>6/30/18</u>   |
| <b>District Contributions</b>                                                                  |                  |                  |
| Statutorily Required Contribution                                                              | \$ 188,439       | \$ 179,039       |
| Contributions in Relation to the Statutorily Required Contribution                             | <u>(188,439)</u> | <u>(179,039)</u> |
| Contribution Deficiency (Excess)                                                               | <u>\$ -</u>      | <u>\$ -</u>      |
| District's Covered Payroll                                                                     | \$ 18,474,374    | \$ 17,552,824    |
| Contributions as a Percentage of Covered Payroll                                               | 1.02%            | 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, 2019**

|                                                     | Original<br>Budgeted<br>Amounts | Final<br>Budgeted<br>Amounts | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|-----------------------------------------------------|---------------------------------|------------------------------|-------------------|---------------------------------------------------------|
| <b>Revenues:</b>                                    |                                 |                              |                   |                                                         |
| Local Sources:                                      |                                 |                              |                   |                                                         |
| Property Taxes                                      | \$ 7,428,186                    | \$ 7,294,145                 | \$ 7,291,207      | \$ (2,938)                                              |
| Delinquent Taxes                                    | 500                             | 200                          | 568               | 368                                                     |
| Specific Ownership Taxes                            | 626,167                         | 690,919                      | 700,164           | 9,245                                                   |
| Specific Ownership - Bond Redemption and Mill Levy  | 390,000                         | 390,000                      | 387,229           | (2,771)                                                 |
| Tuition                                             | 33,000                          | 50,000                       | 111,566           | 61,566                                                  |
| Interest Income                                     | 134,130                         | 146,170                      | 251,846           | 105,676                                                 |
| Other                                               | 233,200                         | 355,650                      | 397,353           | 41,703                                                  |
| Federal Sources - Grants                            | 675,510                         | 699,299                      | 702,847           | 3,548                                                   |
| State Sources                                       |                                 |                              |                   |                                                         |
| State Equalization                                  | 19,187,036                      | 18,572,504                   | 18,572,489        | (15)                                                    |
| ESL                                                 | 375,000                         | 391,450                      | 391,450           | -                                                       |
| Vocational Education                                | 105,000                         | 101,300                      | 101,301           | 1                                                       |
| Transportation                                      | 144,000                         | 144,000                      | 161,005           | 17,005                                                  |
| Special Education                                   | 580,610                         | 580,610                      | 589,919           | 9,309                                                   |
| Small Rural Schools                                 | 534,317                         | 550,681                      | 521,681           | (29,000)                                                |
| Other State Sources                                 | 48,000                          | 48,000                       | 554,694           | 506,694                                                 |
| Total Revenues                                      | 30,494,656                      | 30,014,928                   | 30,735,319        | 720,391                                                 |
| <b>Expenditures (See Schedules)</b>                 |                                 |                              |                   |                                                         |
| Instruction                                         | 16,919,093                      | 16,742,658                   | 17,469,342        | (726,684)                                               |
| Supporting Services                                 | 15,225,566                      | 15,331,360                   | 13,684,346        | 1,647,014                                               |
| Total Expenditures                                  | 32,144,659                      | 32,074,018                   | 31,153,688        | 920,330                                                 |
| Excess (Deficiency) of<br>Revenue Over Expenditures | (1,650,003)                     | (2,059,090)                  | (418,369)         | 1,640,721                                               |
| <b>Other Financing Sources (Uses)</b>               |                                 |                              |                   |                                                         |
| Insurance Proceeds                                  | 5,000                           | 5,000                        | 5,217             | 217                                                     |
| Transfers Out                                       | (132,000)                       | (107,000)                    | (151,013)         | (44,013)                                                |
| Total Other Financing Sources (Uses)                | (127,000)                       | (102,000)                    | (145,796)         | (43,796)                                                |
| Net Change in Fund Balance                          | (1,777,003)                     | (2,161,090)                  | (564,165)         | 1,596,925                                               |
| Beginning Fund Balance                              | 10,634,212                      | 10,571,602                   | 10,660,320        | 88,718                                                  |
| Ending Fund Balance                                 | \$ 8,857,209                    | \$ 8,410,512                 | \$ 10,096,155     | \$ 1,685,643                                            |

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - General Fund**  
**For The Fiscal Year Ended June 30, 2019**

|                               | Original<br>Budgeted<br>Amounts | Final<br>Budgeted<br>Amounts | Actual<br>Amounts    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|-------------------------------|---------------------------------|------------------------------|----------------------|---------------------------------------------------------|
| <b>Instruction</b>            |                                 |                              |                      |                                                         |
| Salaries                      | \$ 11,201,780                   | \$ 11,116,811                | \$ 11,103,712        | \$ 13,099                                               |
| Employee Benefits             | 4,354,739                       | 4,314,528                    | 4,863,932            | (549,404)                                               |
| Purchased Services            | 623,545                         | 583,290                      | 515,932              | 67,358                                                  |
| Supplies and Materials        | 276,415                         | 276,415                      | 234,050              | 42,365                                                  |
| Capital Outlay                | 338,674                         | 327,674                      | 606,933              | (279,259)                                               |
| Other                         | 123,940                         | 123,940                      | 144,783              | (20,843)                                                |
| Total Instruction             | <u>\$ 16,919,093</u>            | <u>\$ 16,742,658</u>         | <u>\$ 17,469,342</u> | <u>\$ (726,684)</u>                                     |
| Total Instructional Services  | \$ 16,919,093                   | \$ 16,742,658                | \$ 17,469,342        | (726,684)                                               |
| Less Capital Outlay           | (338,674)                       | (327,674)                    | (606,933)            | 279,259                                                 |
| Net Instructional Services    | <u>\$ 16,580,419</u>            | <u>\$ 16,414,984</u>         | <u>\$ 16,862,409</u> | <u>\$ (447,425)</u>                                     |
| <b>Supporting Services</b>    |                                 |                              |                      |                                                         |
| <b>Students</b>               |                                 |                              |                      |                                                         |
| Salaries                      | \$ 942,042                      | \$ 902,042                   | \$ 891,886           | \$ 10,156                                               |
| Employee Benefits             | 341,409                         | 342,699                      | 320,297              | 22,402                                                  |
| Purchased Services            | 314,858                         | 314,858                      | 124,134              | 190,724                                                 |
| Supplies and Materials        | 13,200                          | 13,200                       | 11,360               | 1,840                                                   |
| Capital Outlay                | 4,700                           | 4,700                        | 135                  | 4,565                                                   |
| Other                         | 1,900                           | 1,900                        | 700                  | 1,200                                                   |
| Total Students                | <u>1,618,109</u>                | <u>1,579,399</u>             | <u>1,348,512</u>     | <u>230,887</u>                                          |
| <b>Instructional Staff</b>    |                                 |                              |                      |                                                         |
| Salaries                      | 636,869                         | 606,932                      | 645,855              | (38,923)                                                |
| Employee Benefits             | 227,557                         | 227,557                      | 242,924              | (15,367)                                                |
| Purchased Services            | 29,789                          | 29,789                       | 45,115               | (15,326)                                                |
| Supplies and Materials        | 318,110                         | 339,664                      | 261,336              | 78,328                                                  |
| Capital Outlay                | 1,600                           | 1,600                        | 4,286                | (2,686)                                                 |
| Other                         | 33,100                          | 33,100                       | 25,894               | 7,206                                                   |
| Total Instructional Staff     | <u>1,247,025</u>                | <u>1,238,642</u>             | <u>1,225,410</u>     | <u>13,232</u>                                           |
| <b>General Administration</b> |                                 |                              |                      |                                                         |
| Salaries                      | 199,916                         | 199,916                      | 203,186              | (3,270)                                                 |
| Employee Benefits             | 50,795                          | 59,402                       | 61,313               | (1,911)                                                 |
| Purchased Services            | 76,275                          | 73,875                       | 76,093               | (2,218)                                                 |
| Supplies and Materials        | 4,300                           | 4,300                        | 9,197                | (4,897)                                                 |
| Capital Outlay                | 3,000                           | 3,000                        | 5,148                | (2,148)                                                 |
| Other                         | 23,600                          | 23,600                       | 18,743               | 4,857                                                   |
| Total General Administration  | <u>357,886</u>                  | <u>364,093</u>               | <u>373,680</u>       | <u>(9,587)</u>                                          |
| <b>School Administration</b>  |                                 |                              |                      |                                                         |
| Salaries                      | 1,596,233                       | 1,596,232                    | 1,591,427            | 4,805                                                   |
| Employee Benefits             | 588,949                         | 588,949                      | 580,364              | 8,585                                                   |
| Purchased Services            | 21,850                          | 21,850                       | 24,051               | (2,201)                                                 |
| Supplies and Materials        | 17,955                          | 17,955                       | 13,142               | 4,813                                                   |
| Capital Outlay                | 10,091                          | 10,091                       | 7,570                | 2,521                                                   |
| Other                         | (120,260)                       | (169,660)                    | (67,667)             | (101,993)                                               |
| Total School Administration   | <u>2,114,818</u>                | <u>2,065,417</u>             | <u>2,148,887</u>     | <u>(83,470)</u>                                         |

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - General Fund**  
**For The Fiscal Year Ended June 30, 2019**

|                                  | Original<br>Budgeted<br>Amounts | Final<br>Budgeted<br>Amounts | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|----------------------------------|---------------------------------|------------------------------|-------------------|---------------------------------------------------------|
| Business Services                |                                 |                              |                   |                                                         |
| Salaries                         | 419,901                         | 419,901                      | 385,065           | 34,836                                                  |
| Employee Benefits                | 153,269                         | 153,269                      | 139,678           | 13,591                                                  |
| Purchased Services               | 108,400                         | 108,400                      | 108,449           | (49)                                                    |
| Supplies and Materials           | 21,593                          | 70,500                       | 48,432            | 22,068                                                  |
| Capital Outlay                   | 14,082                          | 16,232                       | 17,661            | (1,429)                                                 |
| Other                            | (52,750)                        | (52,750)                     | (54,144)          | 1,394                                                   |
| Total Business Services          | \$ 664,495                      | \$ 715,552                   | \$ 645,141        | \$ 70,411                                               |
| Operations and Maintenance       |                                 |                              |                   |                                                         |
| Salaries                         | \$ 1,424,118                    | \$ 1,394,118                 | \$ 1,347,580      | \$ 46,538                                               |
| Employee Benefits                | 627,946                         | 628,106                      | 581,493           | 46,613                                                  |
| Purchased Services               | 706,559                         | 689,559                      | 672,668           | 16,891                                                  |
| Supplies and Materials           | 749,200                         | 761,700                      | 719,687           | 42,013                                                  |
| Capital Outlay                   | 100,500                         | 100,500                      | 40,367            | 60,133                                                  |
| Other                            | 1,000                           | 1,000                        | 480               | 520                                                     |
| Total Operations and Maintenance | 3,609,323                       | 3,574,983                    | 3,362,275         | 212,708                                                 |
| Student Transportation           |                                 |                              |                   |                                                         |
| Salaries                         | 479,171                         | 479,171                      | 496,589           | (17,418)                                                |
| Employee Benefits                | 207,124                         | 221,890                      | 210,309           | 11,581                                                  |
| Purchased Services               | 130,000                         | 98,300                       | 85,880            | 12,420                                                  |
| Supplies and Materials           | 140,300                         | 140,300                      | 138,097           | 2,203                                                   |
| Capital Outlay                   | 103,000                         | 103,000                      | 2,315             | 100,685                                                 |
| Other                            | (149,000)                       | (199,000)                    | (142,519)         | (56,481)                                                |
| Total Student Transportation     | 910,595                         | 843,661                      | 790,671           | 52,990                                                  |
| Central Support                  |                                 |                              |                   |                                                         |
| Salaries                         | 458,398                         | 458,398                      | 462,731           | (4,333)                                                 |
| Employee Benefits                | 156,519                         | 156,519                      | 150,898           | 5,621                                                   |
| Purchased Services               | 899,490                         | 899,490                      | 829,117           | 70,373                                                  |
| Supplies and Materials           | 22,000                          | 22,000                       | 33,048            | (11,048)                                                |
| Capital Outlay                   | 227,000                         | 227,000                      | 165,329           | 61,671                                                  |
| Other                            | 4,850                           | 4,850                        | 4,791             | 59                                                      |
| Total Central Support            | 1,768,257                       | 1,768,257                    | 1,645,914         | 122,343                                                 |
| Other Support                    |                                 |                              |                   |                                                         |
| Salaries                         | 99,870                          | 108,091                      | 108,971           | (880)                                                   |
| Employee Benefits                | 31,990                          | 32,940                       | 33,149            | (209)                                                   |
| Purchased Services               | 5,860                           | 3,300                        | 29,733            | (26,433)                                                |
| Supplies and Materials           | 9,500                           | 23,050                       | 5,827             | 17,223                                                  |
| Capital Outlay                   | 596,600                         | 2,443,074                    | 1,933,251         | 509,823                                                 |
| Other                            | 2,191,238                       | 570,901                      | 32,925            | 537,976                                                 |
| Total Other Support              | 2,935,058                       | 3,181,356                    | 2,143,856         | 1,037,500                                               |
| Total Supporting Services        | \$ 15,225,566                   | \$ 15,331,360                | \$ 13,684,346     | \$ 1,647,014                                            |
| Total Support Services           | \$ 15,225,566                   | \$ 15,331,360                | \$ 13,684,346     | \$ 1,647,014                                            |
| Less Capital Outlay              | (1,060,573)                     | (2,909,197)                  | (2,176,062)       | (733,135)                                               |
| Net Support Services             | \$ 14,164,993                   | \$ 12,422,163                | \$ 11,508,284     | \$ 913,879                                              |

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - Federal Programs Fund**  
**For The Fiscal Year Ended June 30, 2019**

|                                                      | June 30, 2019                   |                              |                   |                                                         | June 30, 2018     |
|------------------------------------------------------|---------------------------------|------------------------------|-------------------|---------------------------------------------------------|-------------------|
|                                                      | Original<br>Budgeted<br>Amounts | Final<br>Budgeted<br>Amounts | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) | Actual<br>Amounts |
| Revenues:                                            |                                 |                              |                   |                                                         |                   |
| Local Sources                                        | \$ 96,400                       | \$ 169,708                   | \$ 112,845        | \$ (56,863)                                             | \$ 80,112         |
| State Sources                                        | 504,774                         | 667,179                      | 477,042           | (190,137)                                               | 517,182           |
| Federal Sources                                      | 2,865,681                       | 3,578,441                    | 3,483,473         | (94,968)                                                | 2,434,093         |
| Interest Income                                      | -                               | 350                          | 498               | 148                                                     | 306               |
| Total Revenues                                       | 3,466,855                       | 4,415,678                    | 4,073,858         | (341,820)                                               | 3,031,693         |
| Expenditures:                                        |                                 |                              |                   |                                                         |                   |
| Salaries                                             | 1,354,233                       | 1,573,747                    | 1,329,143         | 244,604                                                 | 1,312,387         |
| Benefits                                             | 579,023                         | 609,863                      | 562,652           | 47,211                                                  | 520,435           |
| Purchased Services                                   | 156,616                         | 170,146                      | 152,872           | 17,274                                                  | 229,412           |
| Supplies                                             | 201,359                         | 269,914                      | 159,302           | 110,612                                                 | 139,406           |
| Capital Outlay                                       | 1,600,000                       | 2,553,650                    | 1,862,042         | 691,608                                                 | 736,007           |
| Non Capital Outlay                                   | 23,770                          | 23,770                       | 39,982            | (16,212)                                                | 16,605            |
| Other                                                | 55,000                          | 71,588                       | 46,805            | 24,783                                                  | 54,124            |
| Indirect Costs                                       | 13,097                          | -                            | 79,079            | (79,079)                                                | 92,249            |
| Total Expenditures                                   | 3,983,098                       | 5,272,678                    | 4,231,877         | 1,040,801                                               | 3,100,625         |
| Excess (Deficiency) of<br>Revenues over Expenditures | (516,243)                       | (857,000)                    | (158,019)         | 698,981                                                 | (68,932)          |
| Other Financing Sources:                             |                                 |                              |                   |                                                         |                   |
| Transfers In                                         | 132,000                         | 472,757                      | 151,013           | (321,744)                                               | 99,683            |
| Net Change in Fund Balance                           | (384,243)                       | (384,243)                    | (7,006)           | 377,237                                                 | 30,751            |
| Beginning Fund Balance                               | 384,243                         | 384,243                      | 309,623           | (74,620)                                                | 278,872           |
| Ending Fund Balance                                  | \$ -                            | \$ -                         | \$ 302,617        | \$ 302,617                                              | \$ 309,623        |

**Morgan County School District Re-3**  
***Notes to Required Supplementary Information***  
**June 30, 2019**

**Note (1) Schedule of Proportionate Share of the Net Pension Liability and Contributions**

The Public Employees' Retirement Association of Colorado (PERA) 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.

**Changes in Assumptions and Other Inputs**

For the year ended June 30, 2019, the total pension liability was determined by an actuarial valuation as of December 31, 2017. In addition, the following revised assumptions as a result of Senate Bill (SB) 18-200 were effective as of December 31, 2018, and were reflected in the roll-forward procedures to determine the total pension liability at December 31, 2018.

- Member contributions increased by 2% over three years.
- Employer contributions increased annually pursuant to the automatic adjustment provision.
- Annual direct distribution from the State of Colorado.
- Retiree annual increases suspended for 2018 and 2019. Annual increase cap lowered from 2% to 1.5% thereafter.
- Highest average salary used to determine retiree benefits increased from three to five years.

**Morgan County School District Re-3**  
***Notes to Required Supplementary Information***  
**June 30, 2019**

**Note (2) 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, 2019**

|                                                                                   | <u>General<br/>Department</u> | <u>Mill Levy<br/>Department</u> | <u>Daycare<br/>Department</u> |
|-----------------------------------------------------------------------------------|-------------------------------|---------------------------------|-------------------------------|
| <b>ASSETS</b>                                                                     |                               |                                 |                               |
| Cash and Investments                                                              | \$ 10,431,652                 | \$ 835,930                      | \$ 180,252                    |
| Receivable from Treasurer                                                         | 95,118                        | 1,656                           |                               |
| Property and S.O. Tax Receivable                                                  | 363,855                       | 22,220                          |                               |
| Accounts Receivable                                                               | 122,887                       |                                 | 14,778                        |
| Intergovernmental Receivable                                                      | 186,615                       |                                 | 3,792                         |
| Interfund Receivables                                                             | 142,995                       |                                 | 1,617                         |
| Prepaid Expenditures                                                              | 43,777                        |                                 | 1,050                         |
| Inventory                                                                         | 74,953                        |                                 |                               |
| Total Assets                                                                      | <u>\$ 11,461,852</u>          | <u>\$ 859,806</u>               | <u>\$ 201,489</u>             |
| <br><b>Liabilities:</b>                                                           |                               |                                 |                               |
| Accounts Payable                                                                  | \$ 201,335                    | \$ 68,690                       | \$ 2,673                      |
| Hospital Escrow                                                                   | 8,446                         |                                 |                               |
| Accrued Salaries and Benefits                                                     | 2,611,868                     | 11,398                          | 19,719                        |
| Interfund Payables                                                                | 447,006                       |                                 |                               |
| Unearned Revenue                                                                  | 419                           |                                 |                               |
| Total Liabilities                                                                 | <u>3,269,074</u>              | <u>80,088</u>                   | <u>22,392</u>                 |
| <br><b>Deferred Inflows of Resources</b>                                          |                               |                                 |                               |
| Taxes                                                                             | 151,902                       | 12,343                          |                               |
| Total Deferred Inflows of Resources                                               | <u>151,902</u>                | <u>12,343</u>                   | <u>-</u>                      |
| <br><b>Fund Balances:</b>                                                         |                               |                                 |                               |
| Non-Spendable                                                                     |                               |                                 |                               |
| Prepaid Expenditures                                                              | 43,777                        |                                 | 1,050                         |
| Inventory                                                                         | 74,953                        |                                 |                               |
| Restricted                                                                        |                               |                                 |                               |
| Emergency Reserve (TABOR)                                                         | 1,500,000                     |                                 |                               |
| Mill Levy - Capital and Maintenance                                               |                               | 767,375                         |                               |
| Preschool                                                                         |                               |                                 |                               |
| Assigned                                                                          |                               |                                 |                               |
| Subsequent Year's Budget                                                          | 1,270,993                     |                                 |                               |
| Capital Projects/Replacements                                                     |                               |                                 |                               |
| Unassigned                                                                        | 5,151,153                     |                                 | 178,047                       |
| Total Fund Balances                                                               | <u>8,040,876</u>              | <u>767,375</u>                  | <u>179,097</u>                |
| <br><b>Total Liabilities, Deferred Inflows of Resources and<br/>Fund Balances</b> | <br><u>\$ 11,461,852</u>      | <br><u>\$ 859,806</u>           | <br><u>\$ 201,489</u>         |

See the accompanying Independent Auditor's Report

June 30, 2019

June 30, 2018

| Capital Reserve<br>Department | Insurance<br>Department | Colorado<br>Preschool<br>Department | Total<br>General<br>Fund | Total<br>General<br>Fund |
|-------------------------------|-------------------------|-------------------------------------|--------------------------|--------------------------|
| \$ 263,539                    | \$ 635,820              | \$ 404,836                          | \$ 12,752,029            | \$ 12,049,655            |
|                               |                         |                                     | 96,774                   | 124,245                  |
|                               |                         |                                     | 386,075                  | 359,368                  |
| 79,695                        |                         |                                     | 217,360                  | 424,349                  |
|                               |                         |                                     | 190,407                  | 453,755                  |
| 223,996                       |                         | 130                                 | 368,738                  | 214,062                  |
|                               | 38,010                  |                                     | 82,837                   | 62,679                   |
|                               |                         |                                     | 74,953                   | 68,822                   |
| <u>\$ 567,230</u>             | <u>\$ 673,830</u>       | <u>\$ 404,966</u>                   | <u>\$ 14,169,173</u>     | <u>\$ 13,756,935</u>     |
|                               |                         |                                     |                          |                          |
| \$ 175,409                    | \$ 9,871                | \$ 822                              | 458,800                  | \$ 287,184               |
|                               |                         |                                     | 8,446                    | -                        |
|                               |                         | 43,611                              | 2,686,596                | 2,468,499                |
| 20,703                        | 281,483                 | 5,320                               | 754,512                  | 185,996                  |
|                               |                         |                                     | 419                      | -                        |
| <u>196,112</u>                | <u>291,354</u>          | <u>49,753</u>                       | <u>3,908,773</u>         | <u>2,941,679</u>         |
|                               |                         |                                     |                          |                          |
|                               |                         |                                     | 164,245                  | 154,936                  |
| <u>-</u>                      | <u>-</u>                | <u>-</u>                            | <u>164,245</u>           | <u>154,936</u>           |
|                               |                         |                                     |                          |                          |
|                               | 38,010                  |                                     | 82,837                   | 62,679                   |
|                               |                         |                                     | 74,953                   | 68,822                   |
|                               |                         |                                     | 1,500,000                | 1,050,000                |
|                               |                         |                                     | 767,375                  | 648,103                  |
|                               |                         | 355,213                             | 355,213                  | 92,617                   |
|                               |                         |                                     | 1,270,993                | 8,040                    |
| 371,118                       |                         |                                     | 371,118                  | 1,470,514                |
|                               | 344,466                 |                                     | 5,673,666                | 7,259,545                |
| <u>371,118</u>                | <u>382,476</u>          | <u>355,213</u>                      | <u>10,096,155</u>        | <u>10,660,320</u>        |
|                               |                         |                                     |                          |                          |
| <u>\$ 567,230</u>             | <u>\$ 673,830</u>       | <u>\$ 404,966</u>                   | <u>\$ 14,169,173</u>     | <u>\$ 13,756,935</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, 2019**

|                                                      | For the Fiscal        |                         |                       |
|------------------------------------------------------|-----------------------|-------------------------|-----------------------|
|                                                      | General<br>Department | Mill Levy<br>Department | Daycare<br>Department |
| Property Taxes                                       | \$ 6,743,496          | \$ 548,279              |                       |
| Specific Ownership Taxes                             | 1,087,393             |                         |                       |
| Intergovernmental                                    | 3,005,110             |                         | \$ 17,790             |
| State Equalization                                   | 18,572,489            |                         |                       |
| Interest Income                                      | 239,519               | 11,272                  | 222                   |
| Other                                                | 90,617                | 493                     |                       |
| Local Sources                                        | 136,314               |                         | 198,849               |
| Total Revenues                                       | <u>29,874,938</u>     | <u>560,044</u>          | <u>216,861</u>        |
| Expenditures:                                        |                       |                         |                       |
| Current                                              |                       |                         |                       |
| Instruction                                          | 16,446,674            | 20,280                  |                       |
| Supporting Services                                  | 10,349,389            | 391,461                 | 155,440               |
| Non Capital Outlay                                   | 569,156               | 6,269                   |                       |
| Capital Outlay                                       | 29,616                | 22,762                  |                       |
| Total Expenditures                                   | <u>27,394,835</u>     | <u>440,772</u>          | <u>155,440</u>        |
| Excess (Deficiency) of<br>Revenues over Expenditures | <u>2,480,103</u>      | <u>119,272</u>          | <u>61,421</u>         |
| Other Financing Sources (Uses):                      |                       |                         |                       |
| Insurance Proceeds                                   |                       |                         |                       |
| Allocations In                                       |                       |                         |                       |
| Allocations Out                                      | (2,538,021)           |                         |                       |
| Transfers Out                                        | (151,013)             |                         |                       |
| Total Other Financing Sources (Uses)                 | <u>(2,689,034)</u>    | <u>-</u>                | <u>-</u>              |
| Net Change in Fund Balances                          | (208,931)             | 119,272                 | 61,421                |
| Fund Balances - Beginning of the Year                | <u>8,249,807</u>      | <u>648,103</u>          | <u>117,676</u>        |
| Fund Balances - End of the Year                      | <u>\$ 8,040,876</u>   | <u>\$ 767,375</u>       | <u>\$ 179,097</u>     |

See the accompanying Independent Auditor's Report

| Year Ended June 30, 2019      |                         |                                     |                          | For the Fiscal Year<br>Ended June 30, 2018 |  |
|-------------------------------|-------------------------|-------------------------------------|--------------------------|--------------------------------------------|--|
| Capital Reserve<br>Department | Insurance<br>Department | Colorado<br>Preschool<br>Department | Total<br>General<br>Fund | Total<br>General<br>Fund                   |  |
|                               |                         |                                     | \$ 7,291,775             | \$ 7,380,621                               |  |
|                               |                         |                                     | 1,087,393                | 1,076,762                                  |  |
| \$ 79,695                     |                         |                                     | 3,102,595                | 2,656,069                                  |  |
|                               |                         |                                     | 18,572,489               | 16,665,921                                 |  |
| 34                            | \$ 748                  | \$ 51                               | 251,846                  | 133,866                                    |  |
|                               |                         |                                     | 91,110                   | 336                                        |  |
|                               | 2,948                   |                                     | 338,111                  | 404,346                                    |  |
| 79,729                        | 3,696                   | 51                                  | 30,735,319               | 28,317,921                                 |  |
|                               |                         |                                     |                          |                                            |  |
|                               |                         | 395,455                             | 16,862,409               | 15,046,543                                 |  |
| 29,635                        | 553,534                 | 28,825                              | 11,508,284               | 11,184,082                                 |  |
| 150,558                       |                         | 23,055                              | 749,038                  | 420,996                                    |  |
| 1,700,096                     | 281,483                 |                                     | 2,033,957                | 728,354                                    |  |
| 1,880,289                     | 835,017                 | 447,335                             | 31,153,688               | 27,379,975                                 |  |
|                               |                         |                                     |                          |                                            |  |
| (1,800,560)                   | (831,321)               | (447,284)                           | (418,369)                | 937,946                                    |  |
|                               |                         |                                     |                          |                                            |  |
|                               | 5,217                   |                                     | 5,217                    | 235,429                                    |  |
| 1,053,317                     | 775,000                 | 709,704                             | 2,538,021                | 1,954,461                                  |  |
|                               |                         |                                     | (2,538,021)              | (1,954,461)                                |  |
|                               |                         |                                     | (151,013)                | (99,683)                                   |  |
| 1,053,317                     | 780,217                 | 709,704                             | (145,796)                | 135,746                                    |  |
| (747,243)                     | (51,104)                | 262,420                             | (564,165)                | 1,073,692                                  |  |
| 1,118,361                     | 433,580                 | 92,793                              | 10,660,320               | 9,586,628                                  |  |
| \$ 371,118                    | \$ 382,476              | \$ 355,213                          | \$ 10,096,155            | \$ 10,660,320                              |  |

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - Bond Redemption Fund**  
**For The Fiscal Year Ended June 30, 2019**

|                            | June 30, 2019                   |                              |                     |                                                         | June 30, 2018       |
|----------------------------|---------------------------------|------------------------------|---------------------|---------------------------------------------------------|---------------------|
|                            | Original<br>Budgeted<br>Amounts | Final<br>Budgeted<br>Amounts | Actual<br>Amounts   | Variance with<br>Final Budget<br>Positive<br>(Negative) | Actual<br>Amounts   |
| Revenue:                   |                                 |                              |                     |                                                         |                     |
| Local Property Tax         | \$ 3,200,000                    | \$ 3,181,960                 | \$ 3,184,203        | \$ 2,243                                                | \$ 3,226,370        |
| Interest Income            | 6,000                           | 8,500                        |                     | (8,500)                                                 | 8,457               |
| Other                      |                                 | 30                           | 30                  | -                                                       | 29                  |
| Total Revenue              | <u>3,206,000</u>                | <u>3,190,490</u>             | <u>3,184,233</u>    | <u>(6,257)</u>                                          | <u>3,234,856</u>    |
| Expenditures:              |                                 |                              |                     |                                                         |                     |
| Paying Agent Fees          | 5,000                           | 5,000                        | 4,250               | 750                                                     | 5,000               |
| Debt Service:              |                                 |                              |                     |                                                         |                     |
| Principal on Debt          | 2,155,000                       | 2,155,000                    | 2,155,000           | -                                                       | 2,065,000           |
| Interest on Debt           | 966,768                         | 966,768                      | 966,769             | (1)                                                     | 1,060,156           |
| Total Expenditures         | <u>3,126,768</u>                | <u>3,126,768</u>             | <u>3,126,019</u>    | <u>749</u>                                              | <u>3,130,156</u>    |
| Net Change in Fund Balance | 79,232                          | 63,722                       | 58,214              | (5,508)                                                 | 104,700             |
| Beginning Fund Balance     | <u>2,779,318</u>                | <u>2,819,782</u>             | <u>2,819,781</u>    | <u>(1)</u>                                              | <u>2,715,081</u>    |
| Ending Fund Balance        | <u>\$ 2,858,550</u>             | <u>\$ 2,883,504</u>          | <u>\$ 2,877,995</u> | <u>\$ (5,509)</u>                                       | <u>\$ 2,819,781</u> |

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - Building Fund**  
**For The Fiscal Year Ended June 30, 2019**

|                                        | June 30, 2019                   |                              |                   | June 30, 2018                                           |                   |
|----------------------------------------|---------------------------------|------------------------------|-------------------|---------------------------------------------------------|-------------------|
|                                        | Original<br>Budgeted<br>Amounts | Final<br>Budgeted<br>Amounts | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) | Actual<br>Amounts |
| Revenues:                              |                                 |                              |                   |                                                         |                   |
| Interest Income                        | \$ 23,000                       | \$ 24,000                    | \$ 39,956         | \$ 15,956                                               | \$ 23,921         |
|                                        | 23,000                          | 24,000                       | 39,956            | 15,956                                                  | 23,921            |
| Expenditures:                          |                                 |                              |                   |                                                         |                   |
| Contracted Services                    |                                 |                              | 2,017             | (2,017)                                                 | -                 |
| Capital Outlay - Building Improvements | 2,031,791                       | 1,872,230                    | 213,891           | 1,658,339                                               | 184,483           |
| Capital Outlay                         |                                 |                              | 55,205            | (55,205)                                                | -                 |
| Non Capital Outlay                     |                                 |                              | 2,766             | (2,766)                                                 | -                 |
| Total Expenditures                     | 2,031,791                       | 1,872,230                    | 273,879           | 1,598,351                                               | 184,483           |
| Net Change in Fund Balance             | (2,008,791)                     | (1,848,230)                  | (233,923)         | 1,614,307                                               | (160,562)         |
| Beginning Fund Balance                 | 2,008,791                       | 1,848,230                    | 1,848,229         | (1)                                                     | 2,008,791         |
| Ending Fund Balance                    | \$ -                            | \$ -                         | \$ 1,614,306      | \$ 1,614,306                                            | \$ 1,848,229      |

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - Food Service Fund**  
**For The Fiscal Year Ended June 30, 2019**

|                            | June 30, 2019                   |                              |                   |                                                         | June 30, 2018     |
|----------------------------|---------------------------------|------------------------------|-------------------|---------------------------------------------------------|-------------------|
|                            | Original<br>Budgeted<br>Amounts | Final<br>Budgeted<br>Amounts | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) | Actual<br>Amounts |
| Revenues                   |                                 |                              |                   |                                                         |                   |
| School Meals               | \$ 160,800                      | \$ 185,000                   | \$ 208,590        | \$ (23,590)                                             | \$ 187,586        |
| Lunch Reimbursements       | 13,000                          | 19,000                       | 20,530            | (1,530)                                                 | 14,137            |
| Federal Aid:               |                                 |                              |                   | -                                                       |                   |
| School Lunch Program       | 1,070,770                       | 1,070,770                    | 899,892           | 170,878                                                 | 916,735           |
| Donated Commodities        | 115,659                         | 115,659                      | 111,948           | 3,711                                                   | 117,726           |
| School Breakfast Program   | 330,000                         | 330,000                      | 373,189           | (43,189)                                                | 435,398           |
| Other Food Service Grants  | 30,000                          | 30,000                       | 34,804            | (4,804)                                                 | 35,838            |
| State Aid:                 |                                 |                              |                   | -                                                       |                   |
| Child Nutrition Match      | 14,400                          | 14,400                       | 14,637            | (237)                                                   | 14,486            |
| Start Smart                | 7,000                           | 7,600                        | 6,186             | 1,414                                                   | 7,598             |
| K-12 Reduced               | 12,000                          | 12,000                       | 11,352            | 648                                                     | 10,037            |
| Interest Income            | 3,000                           | 3,400                        | 5,421             | (2,021)                                                 | 3,334             |
| Inter Fund Reimbursements  | 35,000                          | 40,000                       | 34,028            | 5,972                                                   | 41,537            |
| Other Revenue              | 200                             | -                            | 1,930             | (1,930)                                                 | 4,087             |
| Total Revenues             | 1,791,829                       | 1,827,829                    | 1,722,507         | (105,322)                                               | 1,788,499         |
| Expenditures               |                                 |                              |                   |                                                         |                   |
| Salaries                   | 519,726                         | 521,393                      | 530,557           | (9,164)                                                 | 486,153           |
| Employee Benefits          | 249,025                         | 246,058                      | 252,542           | (6,484)                                                 | 231,062           |
| Repairs & Maintenance      | 2,000                           | 7,000                        | 6,568             | 432                                                     | 6,426             |
| Purchased Services         | 3,800                           | 3,500                        | 3,101             | 399                                                     | 2,800             |
| Travel                     | 3,300                           | 3,000                        | 1,530             | 1,470                                                   | 1,656             |
| Supplies & Materials       | 70,800                          | 91,000                       | 58,500            | 32,500                                                  | 63,191            |
| Food Costs:                |                                 |                              |                   |                                                         |                   |
| Food and Milk              | 772,500                         | 720,000                      | 713,730           | 6,270                                                   | 733,126           |
| Commodities                | 115,659                         | 115,659                      | 111,948           | 3,711                                                   | 117,726           |
| Commodities Fees           | 4,000                           | 4,200                        | 4,532             | (332)                                                   | 4,108             |
| Capital Equipment          | 30,000                          | 20,000                       | 20,240            | (240)                                                   |                   |
| Non Capital Equipment      | 20,000                          | 10,000                       | 9,109             | 891                                                     | 26,476            |
| Other                      | 1,750                           | 1,750                        | 5,548             | (3,798)                                                 | 2,039             |
| Indirect Cost              | 100,000                         | 100,000                      | -                 | 100,000                                                 | 100,000           |
| Total Expenditures         | 1,892,560                       | 1,843,560                    | 1,717,905         | 125,655                                                 | 1,774,763         |
| Net Change in Fund Balance | (100,731)                       | (15,731)                     | 4,602             | 20,333                                                  | 13,736            |
| Beginning Fund Balance     | 711,451                         | 707,574                      | 707,574           | -                                                       | 693,838           |
| Ending Fund Balance        | \$ 610,720                      | \$ 691,843                   | \$ 712,176        | \$ 20,333                                               | \$ 707,574        |

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - Private-Purpose Trust Fund**  
**For The Fiscal Year Ended June 30, 2019**

|                             | <b>June 30, 2019</b>                     |                                       |                           |                                                                   | <b>June 30, 2018</b>      |
|-----------------------------|------------------------------------------|---------------------------------------|---------------------------|-------------------------------------------------------------------|---------------------------|
|                             | <b>Original<br/>Budgeted<br/>Amounts</b> | <b>Final<br/>Budgeted<br/>Amounts</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> | <b>Actual<br/>Amounts</b> |
| Additions:                  |                                          |                                       |                           |                                                                   |                           |
| Contributions and Donations | \$ 220,000                               | \$ 270,000                            | \$ 228,954                | \$ (41,046)                                                       | \$ 226,450                |
| Interest Income             | 235                                      | 500                                   | 802                       | 302                                                               | 445                       |
| Total Additions             | <u>220,235</u>                           | <u>270,500</u>                        | <u>229,756</u>            | <u>(40,744)</u>                                                   | <u>226,895</u>            |
| Deductions:                 |                                          |                                       |                           |                                                                   |                           |
| Scholarship Awards          | <u>220,255</u>                           | <u>270,500</u>                        | <u>262,709</u>            | <u>7,791</u>                                                      | <u>197,106</u>            |
| Change in Net Position      | (20)                                     | -                                     | (32,953)                  | (32,953)                                                          | 29,789                    |
| Beginning Net Position      | <u>128,702</u>                           | <u>158,491</u>                        | <u>150,812</u>            | <u>(7,679)</u>                                                    | <u>121,023</u>            |
| Ending Net Position         | <u>\$ 128,682</u>                        | <u>\$ 158,491</u>                     | <u>\$ 117,859</u>         | <u>\$ (40,632)</u>                                                | <u>\$ 150,812</u>         |

**Morgan County School District Re-3**  
**Statement of Changes in**  
**Assets and Liabilities**  
**Agency Fund**  
**For the Fiscal Year Ended June 30, 2019**

|                                        | Balance<br>July 1, 2018  | Additions                | Deletions                | Balance<br>June 30, 2019 |
|----------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>Assets</b>                          |                          |                          |                          |                          |
| Cash and Investments                   | \$ 690,081               | \$ 623,030               | \$ 564,919               | \$ 748,192               |
| Accounts Receivable                    | 1,443                    | 437                      | 1,443                    | 437                      |
| Prepaid Expense                        | 389                      | 1,695                    | 389                      | 1,695                    |
| <b>Total Assets</b>                    | <u><u>\$ 691,913</u></u> | <u><u>\$ 625,162</u></u> | <u><u>\$ 566,751</u></u> | <u><u>\$ 750,324</u></u> |
| <b>Liabilities</b>                     |                          |                          |                          |                          |
| Due to Student/Community Organizations | \$ 401,719               | \$ 554,968               | \$ 528,908               | \$ 427,779               |
| Funds Held for Others                  | 274,835                  | 43,353                   | 22,484                   | 295,704                  |
| Total Funds Held For Others            | 676,554                  | 598,321                  | 551,392                  | 723,483                  |
| Accounts Payable                       | 15,359                   | 26,841                   | 15,359                   | 26,841                   |
| <b>Total Liabilities</b>               | <u><u>\$ 691,913</u></u> | <u><u>\$ 625,162</u></u> | <u><u>\$ 566,751</u></u> | <u><u>\$ 750,324</u></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, 2019, 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 27, 2020.

**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.

Greenwood Village, Colorado  
February 27, 2020

*Hick & Company, PC*





**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, 2019. The Morgan County School District Re-3s 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 the 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, 2019.

### **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, 2019, 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 27, 2020, which contained an unmodified opinion 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.

Greenwood Village, Colorado  
February 27, 2020

*Hick & Company, PC*



**Morgan County School District Re-3**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2019

**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    ☐ Qualified    ☐ Adverse    ☐ Disclaimed

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    ☐ Qualified    ☐ Adverse    ☐ Disclaimed

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**  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2019

**Findings June 30, 2018: Required to be Reported by Uniform Guidance**

No matters are reportable.

MORGAN COUNTY SCHOOL DISTRICT Re-3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2019

| Federal Grantor/Pass-Through Grantor/Program Title               | Federal<br>CFDA<br>Number | Pass-through<br>Entity<br>Grant<br>Code | Expenditures | Pass-through<br>To<br>Subrecipients |
|------------------------------------------------------------------|---------------------------|-----------------------------------------|--------------|-------------------------------------|
| <b>U.S. Department of Health and Human Services</b>              |                           |                                         |              |                                     |
| Direct Program                                                   |                           |                                         |              |                                     |
| Head Start                                                       | 93.600                    | N/A                                     | \$ 2,643,495 | \$ -0-                              |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES               |                           |                                         | 2,643,495    | -0-                                 |
| <b>U.S. Department of Agriculture</b>                            |                           |                                         |              |                                     |
| Child Nutrition Cluster                                          |                           |                                         |              |                                     |
| Passed Through State Department of Human Services                |                           |                                         |              |                                     |
| Food Donation                                                    | 10.555                    | N/A                                     | 111,948      | -0-                                 |
| Passed Through State Department of Education                     |                           |                                         |              |                                     |
| School Breakfast Program                                         | 10.553                    | 4553                                    | 373,189      | -0-                                 |
| National School Lunch Program                                    | 10.555                    | 4555                                    | 899,892      | -0-                                 |
| Summer Food Service Program for Children                         | 10.559                    | 4559                                    | 34,804       | -0-                                 |
| Subtotal Child Nutrition Cluster                                 |                           |                                         | 1,419,833    | -0-                                 |
| Passed Through State Department of Public Health and Environment |                           |                                         |              |                                     |
| Child and Adult Care Food Program                                | 10.558                    | N/A                                     | 35,113       | -0-                                 |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE                             |                           |                                         | 1,454,946    | -0-                                 |
| <b>U.S. Department of Education</b>                              |                           |                                         |              |                                     |
| Passed Through State Department of Education                     |                           |                                         |              |                                     |
| Title I                                                          | 84.010                    | 4010                                    | 538,981      | -0-                                 |
| Special Education Cluster                                        |                           |                                         |              |                                     |
| Special Education                                                | 84.027                    | 4027                                    | 649,651      | -0-                                 |
| Special Education - Preschool                                    | 84.173                    | 4173                                    | 27,148       | -0-                                 |
| Subtotal Special Education Cluster                               |                           |                                         | 676,799      | -0-                                 |
| English Language Acquisition                                     | 84.365                    | 4365/7365                               | 66,722       | -0-                                 |
| Supporting Effective Instruction                                 | 84.367                    | 4367                                    | 93,864       | -0-                                 |
| Race To The Top Early Learning Challenge                         | 84.412                    | 5412                                    | 98           | -0-                                 |
| Student Support and Academic Enrichment Program                  | 84.424                    | 4424                                    | 33,669       | -0-                                 |
| Passed Through State Community College System                    |                           |                                         |              |                                     |
| Career and Technical Education                                   | 84.048                    | N/A                                     | 29,342       | -0-                                 |
| TOTAL U.S. DEPARTMENT OF EDUCATION                               |                           |                                         | 1,439,475    | -0-                                 |
| TOTAL FEDERAL FINANCIAL ASSISTANCE                               |                           |                                         | \$ 5,537,916 | \$ -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, 2019

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, 2019. 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, 2019, 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 \$111,948 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 2018-19  
 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                                         | 10,133,946                               | 29,095,856                                 | 29,871,337                                | 9,358,466                                             |
| 18 Risk Mgmt Sub-Fund of General Fund                   | 433,580                                  | 783,914                                    | 835,017                                   | 382,477                                               |
| 19 Colorado Preschool Program Fund                      | 92,793                                   | 709,755                                    | 447,336                                   | 355,213                                               |
| Sub- Total                                              | 10,660,320                               | 30,589,525                                 | 31,153,690                                | 10,096,155                                            |
| 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                       | 707,574                                  | 1,688,479                                  | 1,683,877                                 | 712,175                                               |
| 22 Govt Designated-Purpose Grants Fund                  | 309,623                                  | 4,224,871                                  | 4,231,877                                 | 302,617                                               |
| 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                                 | 2,819,782                                | 3,184,231                                  | 3,126,019                                 | 2,877,994                                             |
| 39 Certificate of Participation (COP) Debt Service Fund | 0                                        | 0                                          | 0                                         | 0                                                     |
| 41 Building Fund                                        | 1,848,229                                | 39,956                                     | 273,879                                   | 1,614,307                                             |
| 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>16,345,528</b>                        | <b>39,727,061</b>                          | <b>40,469,341</b>                         | <b>15,603,248</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                           | 150,812                                  | 229,756                                    | 262,709                                   | 117,859                                               |
| 73 Agency Fund                                          | 0                                        | 0                                          | 0                                         | 0                                                     |
| 74 Pupil Activity Agency Fund                           | 676,555                                  | 598,321                                    | 551,393                                   | 723,483                                               |
| 79 GASB 34:Permanent Fund                               | 0                                        | 0                                          | 0                                         | 0                                                     |
| 85 Foundations                                          | 0                                        | 0                                          | 0                                         | 0                                                     |
| <b>Totals</b>                                           | <b>827,367</b>                           | <b>828,077</b>                             | <b>814,102</b>                            | <b>841,342</b>                                        |

FINAL