



FORT MORGAN, COLORADO

**FINANCIAL STATEMENTS
AND THE INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2024

MORGAN COUNTY SCHOOL DISTRICT RE-3

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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 (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District, as listed in the table of contents.

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 District as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund statements and budgetary comparison schedules and the auditor's 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. 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 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 December 18, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

DMC Auditing and Consulting, LLC

December 18, 2024
Bailey, Colorado

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2024

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, 2024. 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, 2024 are as follows:

- The District's total net position increased by \$2,622,297 over the previous year net position. The majority of the increase is represented by an increase in the District's Net pension deferred outflows and a reduction in outstanding bond debt from June 30, 2023
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$26,459,033 compared to \$27,149,410 at the close of the prior fiscal year.
- Total ending fund balances for the governmental funds at June 30, 2024 included \$15,981,846 for the General Fund; \$364,767 Federal Programs Fund; \$6,090,932 for the Building Fund that was created in fiscal year 2013-2014 and \$4,021,488 in the District's nonmajor governmental funds which represent the District's Food Service Fund, Pupil Activity Fund and Bond Redemption Fund. The \$6,090,932 in the Building Fund represents unspent bond proceeds and premiums earmarked for completion of the District's Legion Field renovations and ongoing District facility improvements.
- At June 30, 2024, the General Fund had \$305,382 in nonspendable fund balance (inventories and prepaids), \$1,500,000 in restricted fund balance for emergency reserve (TABOR) and one additional restriction in the amount of \$417,355 for Mill Levy Override funds and \$702,137 for allocated Capital Replacements.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2024

Financial Highlights (continued)

- The General Fund identified assigned fund balances representing budgetary projects in the amount of \$702,137 and \$417,358 representing capital projects. The remaining balance of \$12,888,989 is reported as unassigned fund balance.
- Governmental Activities general revenues accounted for \$42,059,106 in revenue or 75% 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 \$12,315,781 or 25% of total revenues of \$54,374,887.
- Total expenses were \$2,622,297 lower than revenues, which reflected the increase in net position from the prior year.
- The District governmental activities had \$51,752,590 in expenses which included \$445,429 more in pension and other postemployment benefits and deferred inflows.
- The District has three governmental major funds - the General Fund, Federal Programs Fund and the Building Fund.

At the end of FY 2023-2024, the fund balance of the General Fund was \$15,981,846. Of this total, \$12,888,989 was unassigned.

The Federal Programs Fund showed revenues in excess of expenditures of \$32,784 for an ending balance of \$364,767. The excess revenue was from interest earnings.

The Building Fund had an ending fund balance of \$6,090,932 representing unexpended bond proceeds and premiums from the February 2015 bond issue, capital lease proceeds from 2021 and bond proceeds and premiums from the 2022 bond issue.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2024

Financial Highlights (continued)

The Food Service Fund, Pupil Activity Fund and Bond Redemption Fund are the District's nonmajor governmental funds. The Food Service Fund showed expenditures in excess of revenues of \$179,799 for an ending fund balance of \$618,804. The Pupil Activity Fund showed expenditures in excess of revenues of \$4,053 for an ending balance of \$625,541. The Bond Redemption Fund showed revenues in excess of expenditures of \$176,181 for an ending fund balance of \$2,777,143.

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, 2024

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 20-21 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 three major funds - the General Fund, Federal Programs 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, 2024

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 25-53 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 2024 as contained in the Statement of Net Position and compares that information to fiscal year 2023.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2024

Financial Analysis of the District as a Whole (continued)

As the table shows, total net position as of June 30, 2024 was:

	Total Government Wide		Total Dollar Change	Total Percentage Change
	2024	2023	Dollar	2023-2022
Assets				
Current Assets	\$ 34,097,808	\$ 32,625,008	\$ 1,472,800	4.51%
Net Capital Assets	64,967,181	60,128,699	4,838,482	8.05%
Total Assets	99,064,989	92,753,707	6,311,282	6.80%
Total Deferred Outflow s of Resources	17,580,472	9,431,644	8,148,828	86.40%
Liabilities				
Other Liabilities	9,735,500	7,511,875	2,223,625	29.60%
Long-Term Liabilities	895,618,573	77,832,055	817,786,518	1050.71%
Total Liabilities	905,354,073	85,343,930	820,010,143	960.83%
Total Deferred Inflow s of Resources	3,739,445	8,290,256	(4,550,811)	-54.89%
Net Position				
Invested in Capital Assets Net of Related Debt	42,159,779	41,731,467	428,312	1.03%
Restricted	10,950,161	5,099,015	5,851,146	114.75%
Unrestricted	(39,557,997)	(35,900,836)	(3,657,161)	10.19%
Total Net Position	\$ 13,551,943	\$ 10,929,646	\$ 2,622,297	23.99%

Total net position of the District's governmental activities increased by \$2,622,297 for the fiscal year ended June 30, 2024. The majority of the increase is represented by ESSER funds being applied to the District's Instructional and Support costs compared to that of the same groups of accounts from June 30, 2023 along with the receipt of Capital Lease Proceeds in excess of expenditures for the year.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Financial Analysis of the District as a Whole (continued)

Table 2				
<u>Changes in Net Position</u>				
	Total		Total	Total
	Governmental Activities		Dollar	Percentage
	2024	2023	Change	Change
			2023-2024	2023-2024
Revenues				
Program Revenues				
Charges for Services	\$ 344,096	\$ 1,241,098	\$ (897,002)	(72.27%)
Operating Grants & Contributions	11,971,685	7,551,350	4,420,335	58.54%
Capital Grants & Contributions		488,494	(488,494)	(100.00%)
General Revenues				
Property Taxes	14,013,195	12,583,396	1,429,799	11.36%
State Revenue	24,529,234	22,878,409	1,650,825	7.22%
Miscellaneous	621,945	350,491	271,454	77.45%
Insurance Proceeds	1,649,466		1,649,466	100.00%
Interest Income	1,245,266	907,690	337,576	37.19%
Total Revenues	54,374,887	46,000,928	8,373,959	18.20%
Expenses				
Instruction	26,486,805	21,555,402	4,931,403	22.88%
Supporting Services	21,981,881	20,026,705	1,955,176	9.76%
Food Services	2,678,737	2,119,505	559,232	26.39%
Interest	605,167	621,587	(16,420)	(2.64%)
Total Expenses	51,752,590	44,323,199	7,429,391	16.76%
Change In Net Position	\$ 2,622,297	\$ 1,677,729	\$ 944,568	56.30%

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Financial Analysis of the District as a Whole (continued)

Governmental Activities

The Statement of Activities on page 18 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

	2024	2023	Total Dollar Change	Total Percent Change
Instruction	\$ (24,632,383)	\$ (15,134,616)	\$ (9,497,767)	(62.76%)
Support Services	(14,037,558)	(19,212,526)	5,174,968	26.94%
Food Services	(161,701)	(73,528)	(88,173)	(119.92%)
Interest on Long-Term Debt	(605,167)	(621,587)	16,420	2.64%
Total Expenses	\$ (39,436,809)	\$ (35,042,257)	\$ (4,394,552)	(12.54%)

Changes in Fund Balance 2024 to 2023

The following tables (4 through 9) demonstrate a comparison in the changes in fund balances from the 2023 fiscal year to the current 2024 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 62 and 63.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Changes in Fund Balance: 2024 to 2023 (continued)

Table 4: General Department

	2024	2023	Total Dollar Change	Total Percent Change
Revenues:				
Property Taxes	\$ 9,437,034	\$ 8,327,958	\$ 1,109,076	13.32%
Specific Ownership Taxes	1,200,709	999,639	201,070	20.11%
Intergovernmental	6,234,973	4,576,342	1,658,631	36.24%
State Equalization	24,529,234	22,878,409	1,650,825	7.22%
Other	915,520	498,715	416,805	83.58%
Total Revenues	<u>42,317,470</u>	<u>37,281,063</u>	<u>5,036,407</u>	<u>13.51%</u>
Expenditures:				
Salaries	24,046,133	20,663,069	3,383,064	16.37%
Benefits	9,281,988	8,016,975	1,265,013	15.78%
Purchased Services	2,996,386	2,162,621	833,765	38.55%
Supplies/Materials	2,144,971	2,946,368	(801,397)	(27.20%)
Capital Outlay	4,534,578	319,196	4,215,382	1320.62%
Other (net of indirect cost reimbursement)	290,685	616,310	(325,625)	(52.83%)
Total Expenditures	<u>43,294,741</u>	<u>34,724,539</u>	<u>8,570,202</u>	<u>24.68%</u>
Excess of Revenues over Expenditures	(977,271)	2,556,524	(3,533,795)	(138.23%)
Allocations, Transfers and Capital Lease	<u>1,887,734</u>	<u>(2,189,525)</u>	<u>4,077,259</u>	<u>-186.22%</u>
Net Change in Fund Balances	<u>\$ 910,463</u>	<u>\$ 366,999</u>	<u>\$ 543,464</u>	<u>148.08%</u>

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Changes in Fund Balance: 2024 to 2023 (continued)

Table 5: Mill Levy Department

	2024	2023	Total Dollar Change	Total Percent Change
Revenues:				
Property Taxes	\$ 548,812	\$ 545,179	\$ 3,633	0.67%
Other	20,513	16,513	4,000	24.22%
Total Revenues	569,325	561,692	7,633	1.36%
Expenditures:				
Instruction & Supporting Services	382,442	424,653	(42,211)	(9.94%)
Capital Outlay	472,122	78,318	393,804	502.83%
Total Expenditures	854,564	502,971	351,593	69.90%
Net Change in Fund Balances	\$ (285,239)	\$ 58,721	\$ (343,960)	(585.75%)

Table 6: Daycare Department

	2024	2023	Total Dollar Change	Total Percent Change
Revenues:				
Local Sources	\$ 350,986	\$ 426,270	\$ (75,284)	(17.66%)
Other	95,079	97,346	(2,267)	(2.33%)
Total Revenues	446,065	523,616	(77,551)	(14.81%)
Expenditures:				
Supporting Services	563,364	419,868	143,496	34.18%
Capital Outlay	106	19,608	(19,502)	100.00%
Total Expenditures	563,470	439,476	123,994	
Excess Revenues over Expenditures	(117,405)	84,140	(201,545)	(239.54%)
Allocations and Transfers	75,000		75,000	100.00%
Net Change in Fund Balances	\$ (42,405)	\$ 84,140	\$ (126,545)	(150.40%)

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Changes in Fund Balance: 2024 to 2023 (continued)

Table 7: Capital Reserve Department

	2024	2023	Dollar Change	Percent Change
Revenues:				
Intergovernmental	\$ 12,293	\$ 18,439	\$ (6,146)	(33.33%)
Other	10,588	66,939	(56,351)	(84.18%)
Total Revenues	22,881	85,378	(62,497)	(73.20%)
Expenditures:				
Instruction	-	-	-	0.00%
Supporting Services	28,066	47,806	(19,740)	100.00%
Noncapital Outlay	122,841	308,695	(185,854)	(60.21%)
Capital Outlay	215,447	369,639	(154,192)	(41.71%)
Total Expenditures	366,354	726,140	(359,786)	(49.55%)
Excess of Expenditures over Revenues	(343,473)	(640,762)	297,289	(46.40%)
Allocations and Transfers	519,000	519,000	-	0.00%
Net Change in Fund Balances	\$ 175,527	\$ (121,762)	\$ 297,289	(244.16%)

Table 8: Insurance Department

	2024	2023	Dollar Change	Percent Change
Revenues:				
Other Revenue	\$ -	\$ 13,342	\$ (13,342)	100.00%
Investment Earnings	1,917	1,310	607	46.34%
Total Revenues	1,917	14,652	(12,735)	(86.92%)
Expenditures:				
Supporting Services	921,681	884,768	36,913	4.17%
Capital Outlay			-	100.00%
Total Expenditures	921,681	884,768	36,913	4.17%
Excess of Revenues over Expenditures	(919,764)	(870,116)	(49,648)	5.71%
Other Financing Sources				
Insurance Proceeds	1,649,466	-	1,649,466	
Allocations and Transfers	1,008,000	900,000	108,000	12.00%
Total Other Financing Sources	2,657,466	900,000	1,757,466	195.27%
Net Change in Fund Balances	\$ 1,737,702	\$ 29,884	\$ 1,707,818	5714.82%

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Changes in Fund Balance: 2024 to 2023 (continued)

Table 9: Preschool Department

	<u>2024</u>	<u>2023</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues:				
Interest Income	\$ 68	\$ 1,756	\$ (1,688)	(96.13%)
Intergovernmental	1,004,091	53,492	950,599	100.00%
Local Sources	-	-	-	
Total Revenues	<u>1,004,159</u>	<u>55,248</u>	<u>948,911</u>	<u>1717.55%</u>
Expenditures:				
Instruction	802,922	884,626	(81,704)	(9.24%)
Supporting Services	14,816	20,016	(5,200)	(25.98%)
Capital Outlay	3,250	33,329	(30,079)	(90.25%)
Total Expenditures	<u>820,988</u>	<u>937,971</u>	<u>(116,983)</u>	<u>(12.47%)</u>
Excess of Expenditures over Revenues	183,171	(882,723)	1,065,894	(120.75%)
Allocations and Transfers	-	710,525	(710,525)	(100.00%)
Net Change in Fund Balances	<u>\$ 183,171</u>	<u>\$ (172,198)</u>	<u>\$ 355,369</u>	<u>(206.37%)</u>

The overall change in the six departments of the General Fund was a \$2,679,219 increase in fund balance. The General Department (Table 4) reflected an increase in total program funding which consisted of a \$1,650,825 increase in state equalization and a \$1,313,779 increase in property and specific ownership tax. Intergovernmental revenue reflected an increase of \$1,615,100. Other revenue increased \$382,635. The overall increased funding along with an increase in expenditures of \$6,419,344 created an increase in ending fund balance.

The Preschool Department (Table 9) reflected a decrease in instructional salaries and related benefits . The Program had an increase in funding with the onset of UPK direct funding.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2024

Financial Analysis of the District's Funds

Table 10
Governmental Fund Balances

	2024	2023	Dollar Change	Percent Change
General	\$ 15,981,846	\$ 13,302,627	\$ 2,679,219	20.14%
Federal Programs	364,767	331,983	32,784	9.88%
Building Fund	6,090,932	9,485,641	(3,394,709)	(35.79%)
Nonmajor Funds	4,021,488	4,029,159	(7,671)	(0.19%)
Total	<u>\$ 26,459,033</u>	<u>\$ 27,149,410</u>	<u>\$ (690,377)</u>	<u>(2.54%)</u>

The material change from above was generated from the General Fund, Federal Programs Fund and the Building Fund with fund balance increases and decreases with a net decrease of \$(690,377).

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 General Fund 2023-2024 revenue was \$5,645,794 higher than the final budgeted projections excluding inter-department allocations, due to financed purchase and insurance proceeds not included in the budget. Total General Fund actual expenditures and transfers were \$1,630,259 higher than the final budgeted expenditure, due to capital purchases made from the financed purchase proceeds.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Financial Analysis of the District's Funds

Of the total expenditures, Instructional expenditures were 0.21% (\$25,522) 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 higher than the final budget amounts by \$225,140. The difference was largely due to the write down of the BEST insurance receivable from prior health insurance coverage.

Supporting Services and transfers were higher than final budget which amounted to (\$1,682,894). The majority of this amount was due to the unbudgeted capital expenditures of the financed purchase proceeds. The District's total program funding comes from State equalization funding. 55.39% of the District's total program funding comes from State equalization funding(\$24,529,234), which is a \$1,650,825 increase from 2022-2023.

Capital Assets and Debt Administration

The District had a net change of \$4,838,482 in capital assets in 2023-2024 which included \$7,002,106 of construction in process at June 30, 2024. There was an increase in the assets being depreciated total of \$956,641. The District's SBITA increased \$112,688.

Long-Term Debt

At June 30, 2024 the District had \$28,672,151 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 \$376,342 in long-term obligations includes compensated absences recorded by the District at year end and SBITA liability which was zero due to a decrease from the prior year.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2024

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

	Table 12 Long-Term Debt <u>Year End</u>			
	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>Percent Change</u>
General Obligation Bonds	\$ 23,490,000	\$ 25,410,000	\$ (1,920,000)	(7.56%)
Financed Purchase	3,352,022	-	3,352,022	N/A
Bond Premium	1,830,129	2,075,099	(244,970)	(11.81%)
SBITA Liability	-	28,853	(28,853)	(100.00%)
Compensated Absences	376,342	430,526	(54,184)	(12.59%)
Total	<u>\$ 29,048,493</u>	<u>\$ 27,944,478</u>	<u>\$ 1,104,015</u>	<u>3.95%</u>

Further information for capital assets and long-term debt is available in notes 7, 8 and 9 in the financial statements.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2024

Factors Bearing on the District's Future

The Colorado Department of Education has made preliminary projections that there will be some incremental funding for 2024-2025 compared to 2023-2024.

The District's contribution to the PERA retirement plan were 21.4% for 2023-2024. Future increases are tied to the ongoing funding status of the retirement plan. The District has its health insurance with CEBT and are estimating no more than a 10% increase for the next year.

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.

BASIC FINANCIAL STATEMENTS

Morgan County School District Re-3
Statement of Net Position
June 30, 2024

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Investments	\$ 24,182,136
Restricted Investments	5,864,749
Receivable from Treasurer	268,166
Property Tax Receivable	456,103
Accounts Receivable	570,687
Intergovernmental Receivable	2,272,128
Prepaid Expenses	254,927
Deposits	3,252
Inventory	225,660
Capital Assets, Net of Accumulated Depreciation and Amortization	
Land	322,557
Construction In Progress	7,103,989
Other Capital Assets	57,540,635
Total Assets	99,064,989
DEFERRED OUTFLOWS OF RESOURCES	
Other Postemployment Benefit Related Amounts	248,225
Pensions Related Amounts	17,332,247
Total Deferred Outflows of Resources	17,580,472
LIABILITIES	
Accounts Payable	959,918
Accrued Salaries and Benefits	4,589,324
Accrued Interest Payable	62,054
Construction Retainage	175,719
Unearned Revenue	1,669,799
Noncurrent Liabilities	
Due Within One Year	2,278,686
Due in More Than One Year	26,769,807
Net Pension Liability	61,366,954
Net Other Postemployment Benefit Liability	1,481,812
Total Liabilities	99,354,073
DEFERRED INFLOWS OF RESOURCES	
Other Postemployment Benefit Related Amounts	575,143
Pensions Related Amounts	3,164,302
Total Deferred Inflows of Resources	3,739,445
NET POSITION	
Net Investment in Capital Assets	42,159,779
Restricted for	
Emergency Reserve (TABOR)	1,500,000
Mill Levy - Capital and Maintenance	6,508,287
Debt Service	2,777,143
Preschool	164,731
Unrestricted (Deficit)	(39,557,997)
	\$ 13,551,943

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

Morgan County School District Re-3
Statement of Activities
For the Fiscal Year Ended June 30, 2024

				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		PROGRAM REVENUES		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
<u>FUNCTIONS/PROGRAMS</u>				
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	\$ 26,486,805	\$ 255,750	\$ 1,598,672	\$ (24,632,383)
Supporting Services	21,981,881	30,249	7,914,074	(14,037,558)
Food Services	2,678,737	58,097	2,458,939	(161,701)
Interest on Long-Term Debt	605,167	-	-	(605,167)
Total Governmental Activities	<u>\$ 51,752,590</u>	<u>\$ 344,096</u>	<u>\$ 11,971,685</u>	<u>(39,436,809)</u>
GENERAL REVENUES				
Property and Specific Ownership Taxes				14,013,195
State Equalization				24,529,234
Miscellaneous				621,945
Insurance Proceeds				1,649,466
Interest Income				<u>1,245,266</u>
TOTAL GENERAL REVENUES				<u>42,059,106</u>
CHANGE IN NET POSITION				2,622,297
NET POSITION - BEGINNING OF YEAR				<u>10,929,646</u>
NET POSITION - END OF YEAR				<u>\$ 13,551,943</u>

Morgan County School District Re-3
Balance Sheet
Governmental Funds
June 30, 2024

	General	Federal Funds	Building Fund	Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 19,160,960	\$ 777,755	\$ -	\$ 4,243,421	\$ 24,182,136
Restricted Investments	-	-	5,864,749	-	5,864,749
Receivable from Treasurer	236,901	-	-	31,265	268,166
Property and S.O. Tax Receivable	456,103	-	-	-	456,103
Accounts Receivable	459,329	300	-	111,058	570,687
Intergovernmental Receivable	2,019,885	252,243	-	-	2,272,128
Interfund Receivable	2,123,803	407,218	1,550,754	32,743	4,114,518
Prepaid Expenditures	188,490	16,945	47,324	2,168	254,927
Deposits	3,252	-	-	-	3,252
Inventory	116,892	-	-	108,768	225,660
Total Assets	<u>\$ 24,765,615</u>	<u>\$ 1,454,461</u>	<u>\$ 7,462,827</u>	<u>\$ 4,529,423</u>	<u>\$ 38,212,326</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 860,937	\$ 2,348	\$ -	\$ 96,633	\$ 959,918
Accrued Salaries and Benefits	4,204,882	230,248	-	154,194	4,589,324
Interfund Payable	2,081,654	568,200	1,282,859	181,805	4,114,518
Unearned Revenue	1,359,101	288,898	-	21,800	1,669,799
Retainage Payable	86,683	-	89,036	-	175,719
Total Liabilities	<u>8,593,257</u>	<u>1,089,694</u>	<u>1,371,895</u>	<u>454,432</u>	<u>11,509,278</u>
Deferred Inflows of Resources:					
Taxes	190,512	-	-	53,503	244,015
Total Deferred Inflows of Resources	<u>190,512</u>	<u>-</u>	<u>-</u>	<u>53,503</u>	<u>244,015</u>
Fund Balances:					
Nonspendable					
Inventory	116,892	-	-	108,768	225,660
Deposits	3,252	-	-	-	3,252
Prepaid Expenditures	188,490	16,945	-	2,168	207,603
Restricted					
Emergency Reserve (TABOR)	1,500,000	-	-	-	1,500,000
Mill Levy - Capital and Maintenance	417,355	-	-	-	417,355
Capital Construction	-	-	6,090,932	-	6,090,932
Debt Service	-	-	-	2,777,143	2,777,143
Preschool	164,731	-	-	-	164,731
Assigned					
Held in Trust for Activity Funds	-	-	-	623,541	623,541
Capital Projects/Replacements	702,137	-	-	-	702,137
Food Service	-	-	-	509,868	509,868
District Grant Funding Set Aside	-	347,822	-	-	347,822
Unassigned	12,888,989	-	-	-	12,888,989
Total Fund Balances	<u>15,981,846</u>	<u>364,767</u>	<u>6,090,932</u>	<u>4,021,488</u>	<u>26,459,033</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 24,765,615</u>	<u>\$ 1,454,461</u>	<u>\$ 7,462,827</u>	<u>\$ 4,529,423</u>	<u>\$ 38,212,326</u>

Morgan County School District Re-3
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

Amounts reported for governmental activities in the statement of net position are difference because:

Total fund balances	\$ 26,459,033
Capital assets used in governmental activities are not financial resources and, therefore, are not reported	64,967,181
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.	
Taxes	244,015
Long-term liabilities and related items are not due and payable in the current period and therefore are not reported	
Compensated absences	(376,342)
Bonds payable	(26,842,022)
Bond premium	(1,830,129)
Accrued Interest	(62,054)
Net pension liability and related deferrals	(47,199,009)
OPEB liability and related deferrals	(1,808,730)
Total Net position of governmental activities	<u>\$ 13,551,943</u>

Morgan County School District Re-3
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2024

	General	Federal Funds	Building Fund	Nonmajor Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 9,985,846	-	-	\$ 2,808,691	\$ 12,794,537
Specific Ownership Taxes	1,200,709	-	-	-	1,200,709
Intergovernmental	6,462,868	1,927,667	-	535,489	8,926,024
Federal Food Service Funding	-	-	-	1,923,450	1,923,450
State Equalization	24,529,234	-	-	-	24,529,234
Interest Income	714,999	32,784	\$ 392,386	105,097	1,245,266
Other	445,522	-	-	561,994	1,007,516
Local Sources	1,022,640	-	-	58,097	1,080,737
Total Revenues	<u>44,361,818</u>	<u>1,960,451</u>	<u>392,386</u>	<u>5,992,818</u>	<u>\$ 52,707,473</u>
Expenditures:					
Current					
Instruction	23,981,924	714,170	-	-	24,696,094
Supporting Services	17,246,806	1,212,299	-	530,858	18,989,963
Supporting Services - Food Nutrition	-	-	-	2,665,199	2,665,199
Debt Service					
Principal	180,400	-	-	1,920,000	2,100,400
Interest	64,326	-	-	783,497	847,823
Paying Agent Fees	-	-	-	8,000	8,000
NonCapital Outlay	1,112,970	15,032	-	23,712	1,151,714
Capital Outlay	4,235,374	-	3,787,095	69,223	8,091,692
Total Expenditures	<u>46,821,800</u>	<u>1,941,501</u>	<u>3,787,095</u>	<u>6,000,489</u>	<u>58,550,885</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,459,982)</u>	<u>18,950</u>	<u>(3,394,709)</u>	<u>(7,671)</u>	<u>(5,843,412)</u>
Other Financing Sources (Uses):					
Insurance Proceeds	1,649,466	-	-	-	1,649,466
Financed Purchase Proceeds	3,503,569	-	-	-	3,503,569
Transfers In (Out)	(13,834)	13,834	-	-	-
Total Other Financing Sources (Uses)	<u>5,139,201</u>	<u>13,834</u>	<u>-</u>	<u>-</u>	<u>5,153,035</u>
Net Change in Fund Balances	2,679,219	32,784	(3,394,709)	(7,671)	(690,377)
Fund Balances - Beginning of the Year	13,302,627	331,983	9,485,641	4,029,159	27,149,410
Fund Balances - End of the Year	<u><u>\$ 15,981,846</u></u>	<u><u>\$ 364,767</u></u>	<u><u>\$ 6,090,932</u></u>	<u><u>\$ 4,021,488</u></u>	<u><u>26,459,033</u></u>

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

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, 2024

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

Net Change in Fund Balances of Governmental Funds.	\$	(690,377)
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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.

Net SBITA transactions	131,502	
Depreciation expense	(3,231,831)	
Amortization expense	(152,882)	
Net capital outlays	8,091,693	4,838,482

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	244,970	244,970
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Governmental funds report capital lease proceeds as other financing resources. 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:

Financed purchase proceeds	(3,503,569)	
Repayment of bond, SBITAs, and financed purchased principal	2,100,400	(1,403,169)

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.

	5,687	5,687
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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	54,184	
Change in the net pension liability	(713,346)	
Change in other postemployment benefit related deferred inflows	267,917	(391,245)

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

Change in property taxes accruals		17,949
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Change in net position of governmental activities.	\$	2,622,297
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Morgan County School District Re-3
Statement of Fiduciary Net Position
June 30, 2024

	Private-Purpose Trust Fund
	<u> </u>
ASSETS	
Cash and Investments	\$ 160,868
Total Assets	<u>\$ 160,868</u>
NET POSITION	
Held in Trust for Scholarships/Students	\$ 69,773
Held in Trust for Endowments	91,095
Total Net Position	<u><u>\$ 160,868</u></u>

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

Morgan County School District Re-3
Statement of Changers in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2024

	Private-Purpose Trust Fund
Additions:	
Contributions and Donations	\$ 350,887
Interest Income	1,869
Total Additions	352,756
Deductions:	
Banking Fees	560
Scholarship Awards	363,607
Total Deductions	364,167
Change in Net Position	(11,411)
Net Position - Beginning of the Year	172,279
Net Position - End of the Year	\$ 160,868

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

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

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.

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).

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

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

(B) Fund Accounting (continued)

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).

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 2015, 2021 and 2022 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, the construction of a new Middle School, renovations at the High School and improvements to Legion Field.

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.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

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

(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.

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.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

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

(C) Basis of Presentation (continued)

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.

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.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

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

(D) Basis of Accounting (continued)

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.

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.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

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

(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.

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.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

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

(H) Capital Assets (continued)

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.

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

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

(I) Accrued Liabilities and Long-Term Obligations

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

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

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

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

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

(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.

(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) which arise only under a modified accrual basis of accounting that qualifies for reporting in this category.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

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

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

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.

(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. Employer contributions are recognized when the compensation is payable to the employees.

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.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

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

(M) Fund Balances

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

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

(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) Interfund 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.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

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

(P) Compensated Absences/Early Retirement Program

Leave for District employees includes both vacation and PTO (paid time off) 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. PTO leave is paid to employees who have accumulated PTO leave and who have been with the District for more than 20 years or 9 years for Administrators at a rate determined by agreement.

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

NOTE (2) Cash and Investments

The District's cash and investments are reported as follows:

Cash on Hand	\$	2,940
Deposits		5,803,860
Investments		24,400,953
Total	\$	<u>30,207,753</u>
Cash and Investments	\$	24,182,136
Restricted Investments		5,864,749
Fiduciary Funds		160,868
Total	\$	<u>30,207,753</u>

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

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

(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, 2024, the District had bank deposits of \$6,324,672 collateralized with securities held by the financial institutions' agents but not in the District's name.

(B) Investments

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

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

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

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

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

(B) Investments (continued)

State law further limits investments in money market funds to those institutions with over \$1 billion in assets or the highest credit rating from one or more of a nationally recognized rating agency. The COLOTRUST investment is rated AAAM by Standard and Poor's. CSAFE investment is rated AAAM by Standard and Poor's. The Invesco Treasury 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, 2024, 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, 2024, the District had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Total</u>
COLOTRUST	Less than one year	\$ 14,503,113
CSAFE	Less than one year	7,222,277
Money Market Fund	Less than one year	<u>2,675,563</u>
Total		<u><u>\$ 24,400,953</u></u>

The cash held in the money market fund \$2,675,563 is required to be used for the payment of long term Debt (see Note 7).

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

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 Transfers

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, 2024, consist of the following:

Fund	Interfund Receivables	Interfund Payables
General Fund		
General Fund Department	\$1,976,284	\$ 1,984,636
Mill Levy Maintenance	1,324	-
Daycare	\$ 111,143	36,445
Capital Reserve	20,773	-
Colorado Preschool Department	14,279	60,573
Total General Fund	<u>2,123,803</u>	<u>2,081,654</u>
Federal Programs Fund	407,218	568,200
Bond Redemption Fund	19,425	4,192
Building Fund	1,550,754	1,282,859
Food Service Fund	3,333	177,070
Pupil Activitiy Fund	<u>9,985</u>	<u>543</u>
Total Governmental Funds	<u><u>4,114,518</u></u>	<u><u>4,114,518</u></u>

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

There were no interfund transfers for the fiscal year ended June 30, 2024.

During fiscal year ended June 30, 2024, the General Fund transferred \$13,834 to the Federal Funds Fund to subsidize the deficit.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (5) Capital Assets

For the year ended June 30, 2024, the District charged \$976,757 and \$2,255,074 in depreciation expense to Instruction and Supporting Services respectively. Activity of amortized right-to-use assets for the fiscal year ended June 30, 2024, were allocated to the General Fund in the amount of \$152,882. Activity of depreciated capital assets for the fiscal year ended June 30, 2024, is as follows:

Governmental Activities

	Balance 6/30/2023	Additions	Deletions	Balance 6/30/2024
Non-depreciable capital assets:				
Land and Water Rights	\$ 322,557	\$ -	\$ -	\$ 322,557
Construction in Progress	101,883	7,027,106	(25,000)	7,103,989
Total Non-depreciable Assets	<u>424,440</u>	<u>7,027,106</u>	<u>(25,000)</u>	<u>7,426,546</u>
Capital Assets Being Depreciated				
Right of use asset - SBITAs	688,963	131,502	(18,814)	801,651
Buildings and improvements	96,537,641	88,057	-	96,625,698
Furniture and Equipment	6,592,317	438,574	-	7,030,891
Vehicles	3,248,709	562,956	(245,634)	3,566,031
Total Capital Assets Being Depreciated	<u>107,067,630</u>	<u>1,221,089</u>	<u>(264,448)</u>	<u>108,024,271</u>
Less accumulated depreciation for:				
Right of use asset - SBITAs	(100,406)	(152,882)	18,814	(234,474)
Buildings and improvements	(40,028,998)	(2,747,092)	-	(42,776,090)
Furniture and Equipment	(4,484,482)	(303,344)	-	(4,787,826)
Vehicles	(2,749,485)	(181,395)	245,634	(2,685,246)
Total Accumulated Depreciation	<u>(47,363,371)</u>	<u>(3,384,713)</u>	<u>264,448</u>	<u>(50,483,636)</u>
Total Capital Assets Being Depreciated	<u>59,704,259</u>	<u>(2,163,624)</u>	<u>-</u>	<u>57,540,635</u>
Net Capital Assets Governmental Activities	<u>\$ 60,128,699</u>	<u>\$ 4,863,482</u>	<u>\$ (25,000)</u>	<u>\$ 64,967,181</u>

Activity of amortized right-to-use assets for the fiscal year ended June 30, 2024, were allocated to the General Fund in the amount of \$152,882.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

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, 2024, accrued salaries and benefits were as follows:

General Fund	
General Fund Department	\$ 4,025,393
Mill Levy Department	9,905
Daycare Department	51,276
Colorado Preschool Department	118,309
Total General Fund	<u>4,204,883</u>
Federal Programs Fund	230,248
Food Service Fund	<u>154,194</u>
Total Governmental Activities	<u><u>\$ 4,589,325</u></u>

NOTE (7) Changes in Long – Term Debt

The changes in governmental activities long-term debt for the year ended June 30, 2024, are as follows:

	Balance at June 30, 2023	Additions	Deletions	Balance at June 30, 2024	Due Within One Year
Bonds Payable	\$ 25,410,000	\$ -	\$ 1,920,000	\$ 23,490,000	\$ 1,985,000
Financed Purchase	-	3,503,569	151,547	3,352,022	293,686
Bond Premium	2,075,099	-	244,970	1,830,129	-
SBITAs	28,853	-	28,853	-	-
Compensated Absences	430,526	-	54,184	376,342	-
	<u>\$ 27,944,478</u>	<u>\$ 3,503,569</u>	<u>\$ 2,399,554</u>	<u>\$ 29,048,493</u>	<u>\$ 2,278,686</u>
Less Amount Due Within One Year				<u>2,278,686</u>	
Due in More Than One Year				<u><u>\$ 26,769,807</u></u>	

Compensated absences will be liquidated by the General Fund.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

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

Financed Purchase Obligation

On August 24, 2023, the District entered into a financed purchase obligation with Webster Bank, National Association for the purchase of energy performance equipment at various District locations for a period of ten years. Principal and interest payments begin on February 1, 2024, through August 1, 2033, with a semi-annual payment of \$215,874. On August 1, 2028, the District will have the option to purchase the equipment. The District plans on exercising this option and purchasing the equipment. In 2024, the District paid \$151,547 in principal and \$64,326 in interest. The financed purchase obligation is summarized as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 293,686	\$ 138,061	\$ 431,748
2026	306,181	125,567	431,748
2027	319,207	112,541	431,748
2028	332,787	98,961	431,748
2029	346,944	84,803	431,748
2030-2034	1,753,216	189,648	1,942,865
Total	<u>\$ 3,352,021</u>	<u>\$ 749,582</u>	<u>\$ 4,101,603</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.

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 General Obligation Bonds are summarized as follows:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal Maturing For Year</u>	<u>Interest Requirement</u>	<u>Total</u>
2024-2025	4.00%	1,010,000	106,200	1,116,200
2025-2026	4.00%	1,055,000	64,900	1,119,900
2025-2026	4.00%	1,095,000	21,900	1,116,900
Total		<u>\$ 3,160,000</u>	<u>\$ 193,000</u>	<u>\$ 3,353,000</u>

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

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

Bonds Payable, 2015 Series

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

The general obligation bonds, series 2015, dated February 12, 2015, mature on December 1 with interest payable semi-annually on June 1 and December 1 commencing June 1, 2014. The General Obligation Bonds are summarized as follows:

Maturity	Interest Rate	Principal Maturing For Year	Interest Requirement	Total
2024-2025	5.00%	\$ 510,000	\$ 12,750	\$ 522,750

Bonds Payable, 2021 Series

In June, 2021 the District issued \$7,960,000 in taxable general obligation refunding bonds to refinance the District's Series 2015 general obligation bonds in the amount of \$6,745,000 which mature from December 1, 2025 to December 1, 2034. The Series 2015 bonds are subject to prior redemption on December 1, 2024. Series 2021 bond proceeds were used to fund an escrow account to pay the principal and interest on the callable Series 2015 bonds up and until the December 1, 2024 call date as well as redeem the remaining Series bonds on December 1, 2024 and pay costs of issuance. The result of the refinancing was a total debt service reduction (considering both principal and interest) of \$620,342.65.

The Series 2021 taxable general obligation bonds are dated June 10, 2021, mature on December 1 with interest payable semi-annually on June 1 and December 1 commencing on December 1, 2021. The General Obligation Bonds are summarized as follows:

Maturity	Interest Rate	Principal Maturing For Year	Interest Requirement	Total
2024-2025	5%	\$ 155,000	\$ 136,198	\$ 291,198
2025-2026	5%	690,000	132,144	822,144
2026-2034	5%	6,710,000	657,661	7,367,661
Total		\$ 7,555,000	\$ 926,003	\$ 8,481,003

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

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

The general obligation bond series 2022A and 2022B were sold for the purpose of paying off two capital leases and funding for construction updates for the sports complex for the District. The Vectra capital lease was prepaid in full at the sale of the bonds. The Sterling capital lease balance was put into escrow and is being paid out of the 2022B series bond until it can be paid off in 2030.

The general obligation bonds, series 2022A dated February 1, 2022, mature on December 1 with interest payable semi-annually on June 1 and December 1, commencing June 1, 2022. The bonds mature on December 1, 2040, at par plus accrued interest. The General Obligation Bonds are summarized as follows:

Maturity	Interest Rate	Principal Maturing For Year	Interest Requirement	Total
2024-2025	5%	\$ -	\$ 412,950	\$ 412,950
2025-2026	5%	-	412,950	412,950
2026-2027	5%	-	412,950	412,950
2027-2028	5%	-	412,950	412,950
2028-2029	5%	-	412,950	412,950
2029-2030	5%	-	412,950	412,950
2030-2031	5%	480,000	400,950	880,950
2031-2032	5%	505,000	376,325	881,325
2032-2040	4%	8,960,000	1,888,650	10,848,650
Total		<u>\$ 9,945,000</u>	<u>\$ 5,143,625</u>	<u>\$ 15,088,625</u>

The general obligation bonds, series 2022B dated February 1, 2022 mature on December 1 with interest payable semi-annually on June 1 and December 1, commencing June 1, 2022. The bonds mature on December 1, 2029 at par plus accrued interest. The General Obligation Bonds are summarized as follows:

Maturity	Interest Rate	Principal Maturing For Year	Interest Requirement	Total
2024-2025	1.73%	\$ 310,000	\$ 45,817	\$ 355,817
2025-2026	2.02%	315,000	40,845	355,845
2026-2027	2.13%	320,000	34,888	354,888
2027-2028	2.32%	450,000	26,863	476,863
2028-2029	2.45%	455,000	16,794	471,794
2029-2030	2.45%	470,000	5,756	475,756
Total		<u>\$ 2,320,000</u>	<u>\$ 170,963</u>	<u>\$ 2,490,963</u>

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (8) 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.

Benefits Provided – The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary 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.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (8) Defined Benefit Pension Plan (continued)

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

Contributions – The District and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. 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 10.0% of covered salaries. The District's contribution rate for calendar year 2023, and through June 30, 2024, was 20.4% 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 9). The District's contributions to the SDTF for the year ended June 30, 2024, were \$4,963,906, equal to the required contributions.

Effective July 1, 2021, employee and employer contribution rates are 10.5% and 20.9%, 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

The net pension liability was measured at December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. Standard update procedures were used to roll forward the total pension liability to December 31, 2023.

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, 2023, relative to the total contributions of participating employers and the State as a nonemployer contributing entity. At December 31, 2023, the District's proportion was 0.3470309887%, which was an increase of 0.0704379104% from its proportion measured at December 31, 2023.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (8) Defined Benefit Pension Plan (continued)

At June 30, 2024, 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	\$ 61,366,954
State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	<u>1,345,595</u>
Total	<u><u>\$ 62,712,549</u></u>

For the year ended June 30, 2024, the District recognized pension expense of \$5,269,076 and a revenue of (\$102,521) for support from the State as a nonemployer contributing entity. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,909,960	\$ -
Net difference between projected and actual earnings on plan investments	4,399,060	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	7,525,081	3,164,302
Contributions subsequent to the measurement date	<u>2,498,146</u>	<u>-</u>
Total	<u><u>\$ 17,332,247</u></u>	<u><u>\$ 3,164,302</u></u>

District contributions subsequent to the measurement date of \$2,498,146 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,

2025	\$ 2,000,250
2026	5,721,694
2027	5,174,435
2028	<u>(1,226,580)</u>
Total	<u><u>\$ 11,669,799</u></u>

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (8) Defined Benefit Pension Plan (continued)

Actuarial Assumptions – The actuarial valuation as of December 31, 2023, 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, 2022, to December 31, 2023:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40% - 11.00%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
Hired prior to 1/1/07	
thereafter, compounded annually	1.00%
Hired after 12/31/06	Financed by the AIR

Post-retirement benefit increases are provided by the annual increase reserve, accounted for separately in SDTF, and subject to resources being available. Therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

Pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows: 1) males: 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019 and 2) females: 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows: 1) males: 97% of the rates for all ages, with generational projection using scale MP-2019 and 2) females: 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (8) Defined Benefit Pension Plan (continued)

The actuarial assumptions used in the December 31, 2022, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years and asset/liability studies performed every three to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, 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 weighing the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation, and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	6.00%	4.70%
Total	<u>100.00%</u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25%.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (8) Defined Benefit Pension Plan (continued)

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 applied to the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan participants were used to reduce the estimated amount of total service costs for future plan members.
- District contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 and 2020 AAP assessments. District contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated District contributions reflect reductions for the funding of the annual increase reserve and retiree health care benefits. For future plan members, District contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the state, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million, commencing July 1, 2018, that is proportioned between the PERA Division Trust Funds, including SDTF, based upon the covered payroll. The annual direct distribution ceases when all PERA Division Trust Funds are fully funded.
- District contributions and the amount of total service costs for future plan participants were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (8) Defined Benefit Pension Plan (continued)

- The annual increase reserve balance was excluded from the initial fund net position, as, per statute, annual increase reserve amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. Annual increase reserve transfers to the fiduciary net position and the subsequent annual increase reserve benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.
- Beginning with the December 31, 2023, measurement date and thereafter, the fiduciary net position as of the current measurement date is used as a starting point for the GASB 67 projection test.

Based on the above assumptions and methods, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current participants. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's Proportionate Share 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 or one percentage point higher than the current rate, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	<u>\$ 82,057,827</u>	<u>\$ 61,366,954</u>	<u>\$ 44,113,271</u>

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

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (9) 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.

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

CRS § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contributions account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

PERA Benefit Structure - 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. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced by 5% for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (9) Postemployment Healthcare Benefits (continued)

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, CRS § 24-51-12-6(4) provides an additional subsidy. According to the State statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF on behalf of recipients not covered by Medicare Part A.

Contributions - As established by Title 24, Article 51, Section 208(1)(f) of the CRS, as amended, 1.02% of the District's contributions to the School Division Trust Fund (SDTF) (Note 8) are 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, 2024, was \$248,439, 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, 2024, the District reported a net OPEB liability of \$1,481,812, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2023.

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, 2023, relative to the contributions of all participating employers.

At December 31, 2023, the District's proportion was 0.2076163757%, which was a decrease of 0.0025615802% from its proportion measured at December 31, 2022.

For the year ended June 30, 2024, the District recognized OPEB expense of (\$50,626). At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (9) **Postemployment Healthcare Benefits** (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 303,719
Changes of assumptions and other inputs	17,426	157,120
Net difference between projected and actual earnings on plan investments	45,835	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	59,934	114,304
Contributions subsequent to the measurement date	<u>125,030</u>	<u>-</u>
Total	<u><u>\$ 248,225</u></u>	<u><u>\$ 575,143</u></u>

District contributions subsequent to the measurement date of \$125,030 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,

2025	\$ (190,649)
2026	(130,362)
2027	(39,747)
2028	(63,700)
2029	(21,049)
2030	<u>(6,441)</u>
Total	<u><u>\$ (451,948)</u></u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2022, determined the total OPEB liability using the following actuarial cost method, actuarial assumptions, and other inputs, applied to all periods included in the measurement.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (9) Postemployment Healthcare Benefits (continued)

Actuarial Cost Method	Entry Age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	40% - 11.00%
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%
PERACare Medicare plans	
7% in 2023, gradually decreasing to 4.5% in 2033	
Medicare Part A premiums:	
3.5% in 2023, gradually increasing to 4.5% in 2035	

The total OPEB liability for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under CRS § 24-51-313, of Tri-County Health Department (Tri-County Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the fiduciary net position as of the December 31, 2022, measurement date.

Annually, the per capita health care costs are developed by plan option. At December 31, 2023, the plan options include 2022 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies to all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (9) Postemployment Healthcare Benefits (continued)

Age-Related Morbidity Assumptions		
Participant Age	Annual Increase (Male)	Annual Increase (Female)
65-68	2.2%	2.3%
69	2.8%	2.2%
70	2.7%	1.6%
71	3.1%	0.5%
72	2.3%	0.7%
73	1.2%	0.8%
74	0.9%	1.5%
75-85	0.9%	1.3%
86 and Older	0.0%	0.0%

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2023, valuation, the following monthly costs/premium are assumed for 2023 for the PERA Benefit Structure:

Sample Age	MAPD PPO #1 with Medicare Part A for Retiree / Spouse		MAPD PPO #2 with Medicare Part A for Retiree / Spouse		MAPD HMO (Kaiser) with Medicare Part A for Retiree / Spouse	
	Male	Female	Male	Female	Male	Female
65	\$ 1,692	\$ 1,406	\$ 579	\$ 481	\$ 1,913	\$ 1,589
70	\$ 1,901	\$ 1,573	\$ 650	\$ 538	\$ 2,149	\$ 1,778
75	\$ 2,100	\$ 1,653	\$ 718	\$ 566	\$ 2,374	\$ 1,869

Sample Age	MAPD PPO #1 without Medicare Part A for Retiree / Spouse		MAPD PPO #2 without Medicare Part A for Retiree / Spouse		MAPD HMO (Kaiser) without Medicare Part A for Retiree / Spouse	
	Male	Female	Male	Female	Male	Female
65	\$ 6,469	\$ 5,373	\$ 4,198	\$ 3,487	\$ 6,719	\$ 5,581
70	\$ 7,266	\$ 6,011	\$ 4,715	\$ 3,900	\$ 7,546	\$ 6,243
75	\$ 8,026	\$ 6,319	\$ 5,208	\$ 4,101	\$ 8,336	\$ 6,563

The 2022 Medicare Part A premium is \$506 per month. All costs are subject to the health care cost trend rates.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium free Medicare Part A.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (9) Postemployment Healthcare Benefits (continued)

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2022, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates used to measure the total OPEB liability are summarized in the table below:

Measurement Year	PERACare Medicare Plans	Medicare Part A Premiums
2023	7.00%	3.50%
2024	6.75%	3.50%
2025	6.50%	3.75%
2026	6.25%	3.75%
2027	6.00%	4.00%
2028	5.75%	4.00%
2029	5.50%	4.00%
2030	5.25%	4.25%
2031	5.00%	4.25%
2032	4.75%	4.25%
2033	4.50%	4.25%
2034	4.50%	4.25%
2035+	4.50%	4.50%

Mortality assumptions used in the December 31, 2022, valuation for the determination of the total pension liability, reflect generational mortality and were applied, as applicable, in the determination of the total OPEB liability for the HCTF, but developed using a headcount-weighted basis. SDTF participates in the HCTF (Note 7).

The pre-retirement mortality assumptions for the SDTF were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019. Post-retirement non-disabled mortality assumptions for the SDTF were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows: 1) males: 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019 and 2) females: 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (9) Postemployment Healthcare Benefits (continued)

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows: 1) males: 97% of the rates for all ages, with generational projection using scale MP-2019 and 2) females: 105% of the rates for all ages, with generational projection using scale MP-2019. Disabled mortality assumptions for SDTF members were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The health care costs assumptions were updated and used in the roll-forward calculation for the HCTF. Per capita health care costs as of the December 31, 2022, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the costs for the 2023 plan year. The morbidity rates used to estimate individual retiree and spouse costs by age and by gender were updated effective for the December 31, 2022, actuarial valuation. The revised morbidity rate factors are based on a review of historical claims experience by age, gender, and status from actuary's claims data warehouse. The healthcare cost trend rates applicable to health care premiums were revised to reflect the then-current expectation of future increases in those premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by PERA's actuary.

The actuarial assumptions used in the December 31, 2022, valuations were based on the results of the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies performed at least every five years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, 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 weighing the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (9) Postemployment Healthcare Benefits (continued)

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020.

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation, and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	6.00%	4.70%
Total	<u>100.00%</u>	

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25%.

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 applied the actuarial cost method and assumptions. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2023, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (9) Postemployment Healthcare Benefits (continued)

- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.
- Beginning with the December 31, 2023, measurement date and thereafter, the fiduciary net position as of the current measurement date is used as a starting point for the GASB 74 projection test.
- As of December 31, 2023, measurement date, the fiduciary net position and related disclosure components for the HCTF reflect payments related to disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. As of December 31, 2023, PERA recognized two additions for accounting and financial reporting purposes: a \$24 million payment received on December 4, 2023, and a \$2 million receivable. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$1.033 million and \$24.967 million, respectively.

Based on the above assumptions and methods, the HCTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates (7.25%)</u>	<u>1% Increase in Trend Rates</u>
Initial PERACare Medicare trend rate	5.75%	6.75%	7.75%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	<u>\$ 1,439,282</u>	<u>\$ 1,481,812</u>	<u>\$ 1,528,075</u>

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (9) Postemployment Healthcare Benefits (continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	<u>\$ 1,750,206</u>	<u>\$ 1,481,812</u>	<u>\$ 1,252,201</u>

OPEB Plan Fiduciary Net Position - Detailed information about the HCTF's fiduciary net position is available in PERA's separately issued annual comprehensive financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

NOTE (10) 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, 2024, the District paid \$182,720 for those services which included \$11,628 paid for administrative services. Separate financial statements for the BOCES are available at 2020 Clubhouse Drive, Greeley, CO, 80634.

NOTE (11) 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.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (11) Tax, Spending and Debt Limitations

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

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

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

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

The Amendment requires Emergency Reserves to be established. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. As of June 30, 2024, 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 (12) 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.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (12) Contingencies/Commitments (continued)

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, 2024.

NOTE (13) 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.

Morgan County School District Re-3
Notes to Financial Statements
June 30, 2024

NOTE (13) Risk Management (continued)

BEST Health Plan

The District joined The Colorado Boards of Education Self-Funded Trust (BEST) in 2022. 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 was purchased through the trust. The District issued a notice of cancellation on February 8, 2022. The District started a policy with CEBT on July 1, 2022.

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

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

The CFR balance had no additional changes in 2021-2024 and, therefore, the balance at June 30, 2024, did not change from June 30, 2017. The BEST trust has decided to terminate and the exact amount we will receive upon dissolution is not finalized at June 30, 2024. This is subsequent event.

NOTE (14) 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.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2024

	PROPORIONATE SHARE OF THE NET PENSION LIAILITY									
MEASUREMENT DATE	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
District's Proportion of the Net Pension Liability	0.3470309887%	0.276593078300%	0.3631835325%	0.3631835325%	0.3439872861%	0.3276944674%	0.3696201719%	0.3602611241%	0.3617443754%	0.3656166177%
District's Proportionate Share of the Net Pension Liability	\$ 61,366,954	\$ 50,366,120	\$ 36,725,202	\$ 54,606,025	\$ 51,390,954	\$ 58,025,036	\$ 119,522,027	\$ 107,263,668	\$ 55,326,248	\$ 49,553,333
State's Proportionate Share of the Net Pension Liability Assopciated with the District	1,345,595	14,677,193	4,210,075	-	6,518,289	7,934,118	-	-	-	-
Total Proportionate Share	\$ 62,712,549	\$ 65,043,313	\$ 40,935,277	\$ 54,606,025	\$ 57,909,243	\$ 65,959,154	\$ 119,522,027	\$ 107,263,668	\$ 55,326,248	\$ 49,553,333
District's Covered Payroll	\$ 26,940,844	\$ 21,328,124	\$ 18,911,058	\$ 19,428,689	\$ 20,206,371	\$ 18,015,263	\$ 17,050,207	\$ 16,173,882	\$ 15,764,734	\$ 15,316,707
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	233%	305%	216%	283%	254%	322%	701%	663%	351%	324%
Plan Fiduciary Net position as a Percentage of the Total Pension Liability	65%	62%	75%	67%	65%	57%	44%	43%	59%	63%
	DISTRICT CONTRIBUTIONS									
FISCAL YEAR	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Statutorily Required Contribution	\$ 4,963,906	\$ 4,149,707	\$ 3,835,152	\$ 3,819,008	\$ 4,015,672	\$ 3,534,150	\$ 3,315,227	\$ 3,045,963	\$ 2,830,814	\$ 2,614,912
Contributions in Relation to the Statutorily Required Contribution	(4,963,906)	(4,149,707)	(3,835,152)	(3,819,008)	(4,015,672)	(3,534,150)	(3,315,227)	(3,045,963)	(2,830,814)	(2,614,912)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 24,356,719	\$ 21,769,744	\$ 19,343,158	\$ 19,199,927	\$ 20,720,188	\$ 18,474,374	\$ 17,552,824	\$ 16,570,403	\$ 15,959,719	\$ 15,481,355
Contributions as a Percentage of the Covered Payroll	20.38%	19.06%	19.83%	19.89%	19.38%	19.13%	18.89%	18.38%	17.74%	16.89%

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, 2024

	PROPORTIONATE SHARE OF THE NET PENSION LIABILITY													
MEASUREMENT DATE	12/31/2023		12/31/2022		12/31/2021		12/31/2020		12/31/2019		12/31/2018		12/31/2017	
District's Proportion of the Net OPEB Liability	0.2076637570%		0.210177955900%		0.02060495325%		0.2100975617%		0.2247254202%		0.2130048354%		0.2100175754%	
District's Proportionate Share of the Net OPEB Liability	\$	1,481,812	\$	17,160,059	\$	1,776,775	\$	1,996,400	\$	2,525,909	\$	2,898,020	\$	2,729,388
District's Covered Payroll	\$	26,940,844	\$	21,328,124	\$	18,911,058	\$	19,428,689	\$	20,206,371	\$	18,015,263	\$	17,050,207
District's Proportionate Share of the Net OPEB as a Percentage of Covered Payroll	6%		80%		9%		10%		13%		16%		16%	
Plan Fiduciary Net position as a Percentage of the Total Pension Liability	46%		39%		39%		33%		24%		17%		18%	
	DISTRICT CONTRIBUTIONS													
FISCAL YEAR	6/30/2024		6/30/2023		6/30/2022		6/30/2021		6/30/2020		6/30/2019		6/30/2018	
Statutorily Required Contribution	\$	248,439	\$	222,051	\$	207,573	\$	195,839	\$	211,346	\$	188,439	\$	179,039
Contributions in Relation to the Statutorily Required Contribution	(248,439)		(222,051)		(207,573)		(195,839)		(211,346)		(188,439)		(179,039)	
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
District's Covered Payroll	\$	24,356,719	\$	21,769,744	\$	19,343,158	\$	19,199,927	\$	20,720,188	\$	18,474,374	\$	17,552,824
Contributions as a Percentage of the Covered Payroll	1.02%		1.02%		1.07%		1.02%		1.02%		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.

Morgan County School District Re-3
Budgetary Comparison Schedule - General Fund
For The Year Fiscal Ended June 30, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Property Taxes	\$ 9,075,835	\$ 9,947,133	\$ 9,968,760	\$ 21,627
Delinquent Taxes	21,500	21,500	17,086	(4,414)
Specific Ownership Taxes	715,968	715,968	649,292	(66,676)
Specific Ownership - Bond Redemption and Mill Levy	332,000	332,000	551,417	219,417
Tuition				-
Interest Income	281,700	591,530	714,999	123,469
Other	421,514	438,842	395,073	(43,769)
Federal Sources - Grants	3,991,908	4,133,042	3,927,987	(205,055)
State Sources				
State Equalization	25,904,133	24,529,244	24,529,234	(10)
ELPA	230,000	230,000	258,499	28,499
Vocational Education	58,758	30,711	40,948	10,237
Transportation	202,000	182,496	192,060	9,564
Special Education	1,105,030	1,105,030	1,162,121	57,091
Small Rural Schools	645,000	554,030	554,030	-
SB17-267 Sustainability of Rural Colorado				-
Other State Sources	710,525	1,057,533	1,400,312	342,779
Total Revenues	43,695,871	43,869,059	44,361,818	492,759
Expenditures (See Schedules)				
Instruction	23,152,383	24,218,031	23,981,924	236,107
Supporting Services	21,805,067	20,973,510	17,246,806	3,726,704
Debt Service				
Principal	-	-	180,400	(180,400)
Interest	-	-	64,326	(64,326)
Noncapital Outlay	-	-	1,112,970	(1,112,970)
Capital Outlay	-	-	4,235,374	(4,235,374)
Total Expenditures	44,957,450	45,191,541	46,821,800	(1,630,259)
Excess (Deficiency) of Revenue Over Expenditures	(1,261,579)	(1,322,482)	(2,459,982)	(1,137,500)
Other Financing Sources (Uses)				
Insurance Proceeds	-	-	1,649,466	1,649,466
Financed Purchase Proceeds	-	-	3,503,569	3,503,569
Transfers Out	-	-	(13,834)	(13,834)
Total Other Financing Sources (Uses)	-	-	5,139,201	5,139,201
Net Change in Fund Balance	(1,261,579)	(1,322,482)	2,679,219	4,001,701
Beginning Fund Balance	12,996,843	12,996,843	13,302,627	305,784
Ending Fund Balance	\$ 11,735,264	\$ 11,117,377	\$ 15,981,846	\$ 4,307,485

Morgan County School District Re-3
Budgetary Comparison Schedule - Federal Programs Fund
For The Fiscal Year Ended June 30, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources	\$ 123,515	\$ 123,515	\$ 18,662	\$ (104,853)
State Sources	1,063,834	1,063,834	817,135	(246,699)
Federal Sources	1,011,817	1,096,817	1,091,870	(4,947)
Interest Income	-	-	32,784	32,784
Total Revenues	2,199,166	2,284,166	1,960,451	(323,715)
Expenditures:				
Salaries	1,100,274	1,134,386	1,088,625	45,761
Benefits	414,668	422,491	421,924	567
Purchased Services	278,423	282,423	179,813	102,610
Supplies	360,000	397,666	217,355	180,311
Capital Outlay	15,500	16,899	-	16,899
Non Capital Outlay	30,301	30,301	15,032	15,269
Other	-	-	18,752	(18,752)
Total Expenditures	2,199,166	2,284,166	1,941,501	342,665
Excess (Deficiency) of Revenues over Expenditures	-	-	18,950	18,950
Other Financing Sources:				
Transfers In	-	-	13,834	13,834
Net Change in Fund Balance	-	-	32,784	32,784
Beginning Fund Balance	284,391	319,303	331,983	12,680
Ending Fund Balance	\$ 284,391	\$ 319,303	\$ 364,767	\$ 45,464

Morgan County School District Re-3
Notes to Required Supplementary Information
June 30, 2024

Note 1: 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 of 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.

Budget Compliance

At June 30, 2024, the District's actual expenditures exceeded the budgeted expenditures in the General Fund, Bond Fund, Pupil Activity Fund in the amount of \$1,644,093, \$1,750, and \$8,243, respectively. This may be a

NOTE 2: Significant Changes in Plan Provisions Affecting Trends in Actuarial Information

STDF Plan - Senate Bill (SB) 23-056, enacted and effective June 2, 2023, intended to recompense PERA for the remaining portion of the \$225 million direct distribution originally scheduled for receipt July 1, 2020, suspended due to the enactment of House Bill (HB) 20-1379, but not fully repaid through the provisions within HB 22-1029. Pursuant to SB 23-056, the State Treasurer issued a warrant consisting of the balance of the PERA Payment Cash Fund, created in §24-51-416, plus \$10 million from the General Fund, totaling \$14.561 million.

As of the December 31, 2023, measurement date, the total pension liability (TPL) recognizes the change in the default method applied for granting service accruals for certain members, from a "12-pay" method to a "non-12-pay" method. The default service accrual method for positions with an employment pattern of at least eight months but fewer than 12 months (including, but not limited to positions in the School and DPS Divisions) receive a higher ratio of service credit for each month worked, up to a maximum of 12 months of service credit per year.

HCTF Plan - As of the December 31, 2023, measurement date, the fiduciary net position (FNP) and related disclosure components for the Health Care Trust Fund (HCTF) reflect payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24 million payment received on December 4, 2023, and a \$2 million receivable. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$1.033 million.

NOTE 3: Changes in Assumptions and Other Inputs

No changes made to the actuarial methods or assumptions.

SUPPLEMENTARY INFORMATION

Morgan County School District Re-3
Combining Balance Sheet
General Fund
June 30, 2024

	General Department	Mill Levy Department	Daycare Department	Capital Reserve Department	Insurance Department	Colorado Preschool Department	Total General Fund
Assets:							
Cash and Investments	\$ 15,557,432	\$ 453,162	\$ 63,286	\$ 681,364	\$ 2,076,382	\$ 329,334	\$ 19,160,960
Receivable from Treasurer	230,809	6,092	-	-	-	-	236,901
Property and S.O. Tax Receivable	434,920	21,183	-	-	-	-	456,103
Accounts Receivable	432,171	226	26,932	-	-	-	459,329
Intergovernmental Receivable	2,019,885	-	-	-	-	-	2,019,885
Interfund Receivables	1,976,284	1,324	111,143	20,773	-	14,279	2,123,803
Prepaid Expenditures	90,685	-	-	97,805	-	-	188,490
Deposits	3,252	-	-	-	-	-	3,252
Inventory	116,892	-	-	-	-	-	116,892
Total Assets	\$ 20,862,330	\$ 481,987	\$ 201,361	\$ 799,942	\$ 2,076,382	\$ 343,613	\$ 24,765,615
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities:							
Accounts Payable	\$ 814,520	\$ 44,276	\$ 1,829	\$ -	\$ 312	\$ -	\$ 860,937
Accrued Salaries and Benefits	4,025,392	9,905	51,276	-	-	118,309	4,204,882
Interfund Payables	1,984,636	-	36,445	-	-	60,573	2,081,654
Construction Retainage	86,683	-	-	-	-	-	86,683
Unearned Revenue	1,359,101	-	-	-	-	-	1,359,101
Total Liabilities	8,270,332	54,181	89,550	-	312	178,882	8,593,257
Deferred Inflows of Resources:							
Taxes	180,061	10,451	-	-	-	-	190,512
Total Deferred Inflows of Resources	180,061	10,451	-	-	-	-	190,512
Fund Balances:							
Non-Spendable							
Prepaid Expenditures	90,685	-	-	97,805	-	-	188,490
Deposits	3,252	-	-	-	-	-	3,252
Inventory	116,892	-	-	-	-	-	116,892
Restricted							
Emergency Reserve (TABOR)	1,500,000	-	-	-	-	-	1,500,000
Mill Levy - Capital and Maintenance	-	417,355	-	-	-	-	417,355
Preschool	-	-	-	-	-	164,731	164,731
Assigned							
Capital Projects/Replacements	-	-	-	702,137	-	-	702,137
Unassigned	10,701,108	-	111,811	-	2,076,070	-	12,888,989
Total Fund Balances	12,411,937	417,355	111,811	799,942	2,076,070	164,731	15,981,846
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 20,862,330	\$ 481,987	\$ 201,361	\$ 799,942	\$ 2,076,382	\$ 343,613	\$ 24,765,615

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, 2024

	General Department	Mill Levy Department	Daycare Department	Capital Reserve Department	Insurance Department	Colorado Preschool Department	Total General Fund
Property Taxes	\$ 9,437,034	\$ 548,812	\$ -	\$ -	\$ -	\$ -	\$ 9,985,846
Specific Ownership Taxes	1,200,709	-	-	-	-	-	1,200,709
Intergovernmental	6,337,494	-	95,079	-	-	30,295	6,462,868
State Equalization	24,529,234	-	-	-	-	-	24,529,234
Interest Income	692,411	20,509	7	87	\$ 1,917	68	714,999
Other	71,744	4	350,979	22,794	-	-	445,521
Local Sources	48,844	-	-	-	-	973,796	1,022,640
Total Revenues	<u>42,317,470</u>	<u>569,325</u>	<u>446,065</u>	<u>22,881</u>	<u>1,917</u>	<u>1,004,159</u>	<u>44,361,817</u>
Expenditures:							
Current							
Instruction	23,170,811	8,191	-	-	-	802,922	23,981,924
Supporting Services	15,344,626	374,251	563,364	28,066	921,681	14,816	17,246,804
Debt Service							
Principal	180,400	-	-	-	-	-	180,400
Interest	64,326	-	-	-	-	-	64,326
Non Capital Outlay	959,215	27,558	106	122,841	-	3,250	1,112,970
Capital Outlay	3,575,363	444,564	-	215,447	-	-	4,235,374
Total Expenditures	<u>43,294,741</u>	<u>854,564</u>	<u>563,470</u>	<u>366,354</u>	<u>921,681</u>	<u>820,988</u>	<u>46,821,798</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(977,271)</u>	<u>(285,239)</u>	<u>(117,405)</u>	<u>(343,473)</u>	<u>(919,764)</u>	<u>183,171</u>	<u>(2,459,981)</u>
Other Financing Sources (Uses):							
Insurance Proceeds	-	-	-	-	1,649,466	-	1,649,466
Financed Purchase Proceeds	3,503,568	-	-	-	-	-	3,503,568
Allocations In	-	-	75,000	519,000	1,008,000	-	1,602,000
Allocations Out	(1,602,000)	-	-	-	-	-	(1,602,000)
Transfers Out	(13,834)	-	-	-	-	-	(13,834)
Total Other Financing Sources (Uses)	<u>1,887,734</u>	<u>-</u>	<u>75,000</u>	<u>519,000</u>	<u>2,657,466</u>	<u>-</u>	<u>5,139,200</u>
Net Change in Fund Balances	910,463	(285,239)	(42,405)	175,527	1,737,702	183,171	2,679,219
Fund Balances - Beginning of the Year	<u>11,501,474</u>	<u>702,594</u>	<u>154,216</u>	<u>624,415</u>	<u>338,368</u>	<u>(18,440)</u>	<u>13,302,627</u>
Fund Balances - End of the Year	<u>\$ 12,411,937</u>	<u>\$ 417,355</u>	<u>\$ 111,811</u>	<u>\$ 799,942</u>	<u>\$ 2,076,070</u>	<u>\$ 164,731</u>	<u>\$ 15,981,846</u>

Morgan County School District Re-3
Combining Balance Sheet
Non Major Funds
June 30, 2024

	Food Service Fund	Bond Fund	Pupil Activity Fund	Total Non-Major Funds
ASSETS				
Cash and Investments	\$ 925,038	\$ 2,675,563	\$ 642,820	\$ 4,243,421
Receivable from Treasurer	-	31,265	-	31,265
Accounts Receivable	326	108,585	2,147	111,058
Interfund Receivables	3,333	19,425	9,985	32,743
Prepaid Expenditures	168	-	2,000	2,168
Inventory	108,768	-	-	108,768
Total Assets	\$ 1,037,633	\$ 2,834,838	\$ 656,952	\$ 4,529,423
Liabilities, Deferred Inflows of Resources, Fund Balance				
Liabilities:				
Accounts Payable	\$ 65,765	\$ -	\$ 30,868	96,633
Accrued Salaries and Benefits	154,194	-	-	154,194
Interfund Payables	177,070	4,192	543	181,805
Unearned Revenue	21,800	-	-	21,800
Total Liabilities	418,829	4,192	31,411	454,432
Deferred Inflows of Resources	-	53,503	-	53,503
Fund Balances:				
Non-Spendable				
Prepaid Expenditures	168	-	2,000	2,168
Inventory	108,768	-	-	108,768
Assigned				
Debt Service	-	2,777,143	-	2,777,143
Activity Funds	-	-	623,541	623,541
Food Service	509,868	-	-	509,868
Capital Projects/Replacements	-	-	-	-
Total Fund Balances	618,804	2,777,143	625,541	4,021,488
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,037,633	\$ 2,834,838	\$ 656,952	\$ 4,529,423

Morgan County School District Re-3
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non Major Funds
For The Fiscal Year Ended June 30, 2024

	Food Service Fund	Bond Fund	Pupil Activity Fund	Total Nonmajor Funds
Revenues				
Local Sources	\$ -	\$ 2,808,691	\$ -	\$ 2,808,691
State Sources	2,134	-	-	2,134
School Meals	58,097	-	-	58,097
Federal Aid:				
School Lunch Program	1,342,087	-	-	1,342,087
Donated Commodities	159,394	-	-	159,394
School Breakfast Program	284,440	-	-	284,440
Other Food Service Grants	137,529	-	-	137,529
State Aid:				
State Lunch Program	426,180	-	-	426,180
State Breakfast Program	92,574	-	-	92,574
Child Nutrition Match	14,601	-	-	14,601
Interest Income	21,101	78,969	5,027	105,097
Fees	-	-	548,559	548,559
Other Revenue	13,417	18		13,435
Total Revenues	<u>2,551,554</u>	<u>2,887,678</u>	<u>553,586</u>	<u>5,992,818</u>
Expenditures:				
Current				
Supporting Services	-	-	530,858	530,858
Food Services	2,665,199	-	-	2,665,199
Non Capital Outlay	15,785	-	7,927	23,712
Capital Outlay	50,369	-	18,854	69,223
Debt Service				
Principal	-	1,920,000	-	1,920,000
Interest	-	783,497	-	783,497
Fees and Charges	-	8,000	-	8,000
Total Expenditures	<u>2,731,353</u>	<u>2,711,497</u>	<u>557,639</u>	<u>6,000,489</u>
Net Change in Fund Balance	(179,799)	176,181	(4,053)	(7,671)
Beginning Fund Balance	<u>798,603</u>	<u>2,600,962</u>	<u>629,594</u>	<u>4,029,159</u>
Ending Fund Balance	<u>\$ 618,804</u>	<u>\$ 2,777,143</u>	<u>\$ 625,541</u>	<u>\$ 4,021,488</u>

Morgan County School District Re-3
Budgetary Comparison Schedule - Bond Redemption Fund
For The Fiscal Year Ended June 30, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenue:				
Local Property Tax	\$ 2,903,305	\$ 2,734,647	\$ 2,808,691	\$ 74,044
Interest Income	50,000	50,000	78,969	28,969
Other	3,500	3,500	18	(3,482)
Total Revenue	<u>2,956,805</u>	<u>2,788,147</u>	<u>2,887,678</u>	<u>99,531</u>
Expenditures:				
Paying Agent Fees	6,250	6,250	8,000	(1,750)
Debt Service:				
Principal on Debt	1,920,000	1,920,000	1,920,000	-
Interest on Debt	783,497	783,497	783,497	-
Total Expenditures	<u>2,709,747</u>	<u>2,709,747</u>	<u>2,711,497</u>	<u>(1,750)</u>
Net Change in Fund Balance	247,058	78,400	176,181	97,781
Beginning Fund Balance	<u>2,605,161</u>	<u>2,656,132</u>	<u>2,600,962</u>	<u>(55,170)</u>
Ending Fund Balance	<u>\$ 2,852,219</u>	<u>\$ 2,734,532</u>	<u>\$ 2,777,143</u>	<u>\$ 42,611</u>

Morgan County School District Re-3
Budgetary Comparison Schedule - Building Fund
For The Fiscal Year Ended June 30, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Interest Income	\$ -	\$ -	\$ 392,386	\$ 392,386
State Grants	2,650,000	2,650,000	-	(2,650,000)
	<u>2,650,000</u>	<u>2,650,000</u>	<u>392,386</u>	<u>(2,257,614)</u>
Expenditures:				
Contracted Services	25,000	25,000	-	25,000
Capital Outlay - Building Improvements	6,150,000	6,322,042	3,787,095	2,534,947
Total Expenditures	<u>6,175,000</u>	<u>6,347,042</u>	<u>3,787,095</u>	<u>2,559,947</u>
Net Change in Fund Balance	(3,525,000)	(3,697,042)	(3,394,709)	302,333
Beginning Fund Balance	<u>6,314,185</u>	<u>7,619,417</u>	<u>9,485,641</u>	<u>1,866,224</u>
Ending Fund Balance	<u>\$ 2,789,185</u>	<u>\$ 3,922,375</u>	<u>\$ 6,090,932</u>	<u>\$ 2,168,557</u>

Morgan County School District Re-3
Budgetary Comparison Schedule - Food Service Fund
For The Fiscal Year Ended June 30, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
School Meals	\$ 368,763	\$ 281,249	\$ 58,097	\$ (223,152)
Federal Aid:				
School Lunch Program	812,794	1,132,290	1,342,087	209,797
Donated Commodities	-	-	159,394	159,394
School Breakfast Program	270,489	270,489	284,440	13,951
Other Food Service Grants	488,106	492,686	137,529	(355,157)
State Aid:				
Child Nutrition Match	26,490	26,490	14,601	(11,889)
Start Smart	1,665	1,665	1,274	(391)
State Lunch Program	-	-	426,180	426,180
State Breakfast Program	-	-	92,574	92,574
Colo Health Mini Grant	-	-	-	-
K-12 Reduced	-	-	-	-
State Other	-	-	860	860
Interest Income	22,000	22,000	21,101	(899)
Inter Fund Reimbursements				-
Other Revenue	5,000	5,000	13,417	8,417
Total Revenues	1,995,307	2,231,869	2,551,554	319,685
Expenditures				
Salaries	718,108	789,108	818,787	(29,679)
Employee Benefits	289,858	341,656	368,801	(27,145)
Repairs & Maintenance	25,000	25,000	23,130	1,870
Purchased Services	1,200	8,225	1,752	6,473
Travel	430	1,596	1,685	(89)
Supplies & Materials	95,000	101,218	102,972	(1,754)
Food Costs:				
Food and Milk	961,591	1,214,248	1,188,530	25,718
Commodities	40,000	40,000	159,394	(119,394)
Commodities Fees	8,850	8,850	13,730	(4,880)
Capital Equipment	234,697	84,120	50,369	33,751
Non Capital Equipment			15,785	(15,785)
Other	(11,875)	(14,600)	(13,582)	(1,018)
Total Expenditures	2,362,859	2,599,421	2,731,353	(131,932)
Net Change in Fund Balance	(367,552)	(367,552)	(179,799)	187,753
Beginning Fund Balance	448,917	965,877	798,603	(167,274)
Ending Fund Balance	\$ 81,365	\$ 598,325	\$ 618,804	\$ 20,479

Morgan County School District Re-3
Budgetary Comparison Schedule - Pupil Activity Fund
For The Fiscal Year Ended June 30, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenue:				
Interest Income	\$ -	\$ -	\$ 5,027	\$ 5,027
Fees	566,000	566,000	548,559	(17,441)
Total Revenue	<u>566,000</u>	<u>566,000</u>	<u>553,586</u>	<u>(12,414)</u>
Expenditures:				
Supporting Services	565,882	565,882	557,639	(8,243)
Non Capital Expenditures				-
Total Expenditures	<u>565,882</u>	<u>565,882</u>	<u>557,639</u>	<u>(8,243)</u>
Net Change in Fund Balance	118	118	(4,053)	(4,171)
Beginning Fund Balance	<u>662,745</u>	<u>866,255</u>	<u>629,594</u>	<u>(236,661)</u>
Ending Fund Balance	<u>\$ 662,863</u>	<u>\$ 866,373</u>	<u>\$ 625,541</u>	<u>\$ (240,832)</u>

Morgan County School District Re-3
Budgetary Comparison Schedule - Private Purpose Trust Fund
For The Fiscal Year Ended June 30, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Additions:				
Contributions and Donations	\$ 250,000	\$ 350,000	\$ 350,888	\$ 888
Interest Income	-	-	1,869	1,869
	<u>250,000</u>	<u>350,000</u>	<u>352,757</u>	<u>2,757</u>
Deductions:				
Bank Fees	-	-	560	(560)
Scholarship Awards	250,000	365,000	363,608	1,392
Total Expenditures	<u>250,000</u>	<u>365,000</u>	<u>364,168</u>	<u>832</u>
Change in Net Position	-	(15,000)	(11,411)	3,589
Beginning Net Position	<u>172,279</u>	<u>172,279</u>	<u>172,279</u>	<u>-</u>
Ending Net Position	<u>\$ 172,279</u>	<u>\$ 157,279</u>	<u>\$ 160,868</u>	<u>\$ 3,589</u>

COMPLIANCE SECTION

SINGLE AUDIT

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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 Morgan County School District RE-3 (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District and have issued our report thereon dated December 18, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, report on, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control 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 District'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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

DMC Auditing and Consulting, LLC

December 18, 2024
Baily, Colorado

**INDEPENDENT AUDITOR'S 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**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Morgan County School District RE-3's (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. the District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

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 District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District. We issued our report thereon dated December 18, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District'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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

DMC Auditing and Consulting, LLC

December 18, 2024
Baily, Colorado

MORGAN COUNTY SCHOOL DISTRICT RE-3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ Yes ☒ No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Cluster/Program</u>
84.425U, 84.425D	Education Stabilization Fund (COVID-19)

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

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

SECTION II: FINANCIAL STATEMENT FINDINGS

No current year findings or questioned costs were reported.

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No current year findings or questioned costs were reported.

MORGAN COUNTY SCHOOL DISTRICT Re-3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Grant Code	Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster			
Passed Through State Department of Human Services			
Food Donation	10.555	N/A	159,395
Passed Through State Department of Education			
Federal Breakfast Program	10.553	4553	284,440
National School Lunch Program	10.555	4555	1,342,087
Special Milk Program	10.556	4556	648
Federal Fresh Fruits and Vegetables	10.582	4582	64,731
Summer Food Service Program for Children	10.559	4559	-
Supply Chain Assist	10.555	6555	72,150
			<u>1,923,451</u>
Subtotal Child Nutrition Cluster			<u>1,923,451</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1,923,451</u>
U.S. Department of Education			
Passed Through State Department of Education			
Title I	84.010	4010/9211	557,765
Title I	84.010	4010/9212	2,054
Title I - Migrant	84.011A	4011	81,095
Education Stabilization Fund - Boys and Girls Club	84.425U	4449	270,678
Education Stabilization Fund - American Rescue Plan	84.425U	4434	28,250
Education Stabilization Fund - ESSER II Supplemental	84.425D	4419	52,382
Education Stabilization Fund - ESSER III	84.425D	4414	2,334,894
Education Stabilization Fund - ESSER III SET ASIDE	84.425U	9414	201,444
Education Stabilization Fund - ESSER II SET ASIDE	84.425U	9418	6,581
Subtotal Passed Through State Department of Education			<u>3,535,143</u>
Special Education Cluster			
Special Education	84.027	4027	848,537
Special Education	84.027	8027	162,388
Special Education - Preschool	84.173	4173	32,997
			<u>1,043,922</u>
English Language Acquisition	84.365	4365/7365	104,331
Supporting Effective Instruction	84.367	4367	96,544
Student Support and Academic Enrichment Program	84.424	4424	34,175
Passed Through State Community College System			
Career and Technical Education- Perkins	84.048	4048	34,513
			<u>4,848,628</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>4,848,628</u>
U.S. Department of Human Services			
Passed Through State Department of Education			
Public Health Emergency Response	93.354	7354	78,278
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	93.981	7982	74,864
			<u>153,142</u>
TOTAL U.S. DEPARTMENT OF HUMAN SERVICES			<u>153,142</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 6,925,221</u>

MORGAN COUNTY SCHOOL DISTRICT RE-3
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

NOTE 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, using the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements. The District does not charge a de minimis indirect cost rate. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the District.

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting.

NOTE 2: Summary of Significant Accounting Policies

Governmental fund types account for the majority of the District's federal grant activity. Expenditures reported in the schedule of expenditures of federal awards are recognized on a modified basis of accounting. Subrecipient expenditures are recorded on a cash basis. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Non-cash expenditures are included in the schedule.

NOTE 3: Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

STATE COMPLIANCE



Colorado Department of Education
Auditors Integrity Report
District: 2405 - Fort Morgan Re-3
Fiscal Year 2023-24
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
Governmental	+		-	=
10 General Fund	12,982,699	45,837,474	45,079,127	13,741,046
18 Risk Mgmt Sub-Fund of General Fund	338,369	2,659,382	921,681	2,076,070
19 Colorado Preschool Program Fund	-18,441	1,004,160	820,989	164,730
Sub- Total	13,302,628	49,501,016	46,821,798	15,981,846
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
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	798,603	2,551,554	2,731,353	618,803
22 Govt Designated-Purpose Grants Fund	331,983	1,974,285	1,941,501	364,767
23 Pupil Activity Special Revenue Fund	629,594	74,889	78,942	625,541
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	2,600,962	2,887,678	2,711,497	2,777,144
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	9,485,641	392,386	3,787,095	6,090,931
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
Totals	27,149,411	57,381,807	58,072,186	26,459,032
Proprietary				
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
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	172,279	352,757	364,168	160,868
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	172,279	352,757	364,168	160,868

FINAL

*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.