

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



## **Financial Statements**

**Fiscal Year Ended June 30, 2023**

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

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

***Financial Statements***

***Fiscal Year Ended  
June 30, 2023***

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

***Toni M. Miller, CPA, Chief Financial Officer  
Pennie Haller, Assistant Chief Financial Officer  
Regina Romero, Finance Specialist  
Diana Legler, Payroll Manager***

# Morgan County School District Re-3

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## Report of Independent Auditors

Board of Education  
Morgan County School District Re-3

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morgan County School District Re-3 (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Morgan County School District Re-3 as of June 30, 2023, 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 for Opinions***

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

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

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

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

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

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information for the general fund and special revenue funds, schedule of proportionate share of the net pension liability and contributions and schedule of proportionate share of the net OPEB liability and contributions 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Morgan County School District RE-3's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the combining and individual fund financial statements and schedules, and auditors integrity report are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, schedule of expenditures of federal awards, and auditors integrity report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 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 the effectiveness of the District 's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District 's internal control over financial reporting and compliance.



Medford, Oregon  
February 27, 2024

# **Morgan County School District Re-3**

## ***Management's Discussion & Analysis***

### **For the Fiscal Year Ended June 30, 2023**

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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, 2023. 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, 2023 are as follows:

- The District's total net position increased by \$1,677,729 over the previous year net position. The majority of the increase is represented by a decrease in the District's net pension and postemployment benefit liabilities and deferred inflows for pensions and postemployment benefits in excess of the deferred outflows for pensions and other postemployment benefits over the same groups of accounts from June 30, 2022.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$27,149,410 compared to \$26,696,694 at the close of the prior fiscal year.
- Total ending fund balances for the governmental funds at June 30, 2023 included \$13,302,627 for the General Fund; \$331,983 Federal Programs Fund; \$9,485,641 for the Building Fund that was created in fiscal year 2013-2014 and \$4,029,159 in the District's nonmajor governmental funds which represent the District's Food Service Fund, Pupil Activity Fund and Bond Redemption Fund. The majority of the \$9,485,641 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, 2023, the General Fund had \$247,507 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 \$702,594 for Mill Levy Override funds.
- The General Fund identified assigned fund balances representing budgetary projects in the amount of \$802,450 and \$526,613 representing capital projects. The remaining balance of \$9,523,463 is reported as unassigned fund balance.
  - Governmental Activities general revenues accounted for \$36,719,986 in revenue or 80% 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 \$9,280,942 or 20% of total revenues of \$46,000,928.
  - Total revenues were \$1,677,729 higher than expenses, which reflected the increase in net position from the prior year.
  - The District governmental activities had \$44,323,199 in expenses which included approximately \$1.3 million less in pension and other postemployment benefits and deferred inflows.

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2023**

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**Financial Highlights (continued)**

- The District has three governmental major funds - the General Fund, Federal Programs Fund and the Building Fund.

At the end of FY 2022-2023, the fund balance of the General Fund was \$13,302,627. Of this total, \$9,523,463 was unassigned.

The Federal Programs Fund showed revenues in excess of expenditures of \$28,681 for an ending balance of \$331,983. The excess revenue was from interest earnings.

The Building Fund had an ending fund balance of \$9,485,641 representing unexpended bond proceeds and premiums from the February 2015 bond issue and 2021 and bond proceeds and premiums from the 2022 bond issue.

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 \$198,502 for an ending fund balance of \$798,603. The Pupil Activity Fund showed expenditures in excess of revenues of \$22,570 for an ending balance of \$629,594. The Bond Redemption Fund showed expenditures in excess of revenues of \$3,460 for an ending fund balance of \$2,600,962.

**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, 2023**

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**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 18-19 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.

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.

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2023**

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

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

- *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 26-54 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 2023 as contained in the Statement of Net Position and compares that information to fiscal year 2022.

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2023**

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

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

As the table shows, total net position as of June 30, 2023 and 2022 were:

**Condensed Statement of Net Position**

	Total Government Wide		Total Dollar Change	Total Percentage Change
	2023	2022	2023-2022	2023-2022
<b>Assets</b>				
Current Assets	\$ 32,625,008	\$ 32,163,700	461,308	1.43%
Net Capital Assets	60,128,699	62,297,754	(2,169,055)	(3.48%)
<b>Total Assets</b>	<b>92,753,707</b>	<b>94,461,454</b>	<b>(1,707,747)</b>	<b>(1.81%)</b>
Total Deferred Outflows of Resources	11,810,125	9,431,644	2,378,481	25.22%
<b>Liabilities</b>				
Other Liabilities	7,511,875	7,399,041	112,834	1.52%
Long-Term Liabilities	77,832,055	66,414,032	11,418,023	17.19%
<b>Total Liabilities</b>	<b>85,343,930</b>	<b>73,813,073</b>	<b>11,530,857</b>	<b>15.62%</b>
Total Deferred Inflows of Resources	8,290,256	20,828,108	(12,537,852)	-60.20%
<b>Net Position</b>				
Invested in Capital Assets Net of Related Debt	41,731,467	41,792,979	(61,512)	-0.15%
Restricted	5,099,015	7,506,475	(2,407,460)	-32.07%
Unrestricted	(35,900,836)	(40,047,537)	4,146,701	(10.35%)
<b>Total Net Position</b>	<b>\$ 10,929,646</b>	<b>\$ 9,251,917</b>	<b>\$ 1,677,729</b>	<b>18.13%</b>

Total net position of the District's governmental activities increased by \$1,677,729 for the fiscal year ended June 30, 2023 which was a \$16,189,398 decrease from the \$17,867,127 increase experienced in 2021-2022. The majority of the decrease is represented by an increase in the District's Instructional and Support costs compared to that of the same groups of accounts from June 30, 2022.

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2023**

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

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

**Table 2**  
**Changes in Net Position**

	<b>Total</b>		<b>Total</b>	<b>Total</b>
	<b>Governmental Activities</b>		<b>Dollar</b>	<b>Percentage</b>
	<b>2023</b>	<b>2022</b>	<b>Change</b>	<b>Change</b>
	<u>2023</u>	<u>2022</u>	<u>2022-2023</u>	<u>2021-2022</u>
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 1,241,098	\$ 366,460	\$ 874,638	238.67%
Operating Grants & Contributions	7,551,350	9,476,103	(1,924,753)	(20.31%)
Capital Grants & Contributions	488,494	1,560,861	(1,072,367)	(68.70%)
General Revenues				
Property Taxes	12,583,396	12,620,259	(36,863)	-0.29%
State Revenue	22,878,409	19,902,866	2,975,543	14.95%
Miscellaneous	350,491	397,589	(47,098)	(11.85%)
Interest Income	907,690	77,807	829,883	1066.59%
<b>Total Revenues</b>	<u>46,000,928</u>	<u>44,401,945</u>	<u>1,598,983</u>	<u>3.60%</u>
<b>Expenses</b>				
Instruction	21,555,402	12,789,091	8,766,311	68.55%
Supporting Services	20,026,705	11,089,551	8,937,154	80.59%
Food Services	2,119,505	1,690,390	429,115	25.39%
Interest	621,587	965,786	(344,199)	(35.64%)
<b>Total Expenses</b>	<u>44,323,199</u>	<u>26,534,818</u>	<u>17,788,381</u>	<u>67.04%</u>
Change In Net Position	<u>\$ 1,677,729</u>	<u>\$ 17,867,127</u>	<u>\$ (16,189,398)</u>	<u>(90.61%)</u>

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2023**

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

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

**Governmental Activities**

The Statement of Activities on page 19 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**

	2023	2022	Total Dollar Change	Total Percent Change
Instruction	\$ (15,134,616)	\$ (6,946,447)	\$ (8,188,169)	(117.88%)
Support Services	(19,212,526)	(7,777,267)	(11,435,259)	(147.03%)
Food Services	(73,528)	558,106	(631,634)	113.17%
Interest on Long-Term Debt	(621,587)	(965,786)	344,199	35.64%
<b>Total Expenses</b>	<b>\$ (35,042,257)</b>	<b>\$ (15,131,394)</b>	<b>\$ (19,910,863)</b>	<b>(131.59%)</b>

**Changes in Fund Balance 2023 to 2022**

The following tables (4 through 9) demonstrate a comparison in the changes in fund balances from the 2022 fiscal year to the current 2023 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, 2023**

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

**Changes in Fund Balance: 2023 to 2022 (continued)**

**Table 4: General Department**

	<u>2023</u>	<u>2022</u>	<u>Total Dollar Change</u>	<u>Total Percent Change</u>
<b>Revenues:</b>				
Property Taxes	\$ 8,327,958	\$ 8,375,628	\$ (47,670)	(0.57%)
Specific Ownership Taxes	999,639	970,753	28,886	2.98%
Intergovernmental	4,576,342	5,195,316	(618,974)	(11.91%)
State Equalization	22,878,409	19,902,866	2,975,543	14.95%
Other	498,715	130,160	368,555	283.16%
<b>Total Revenues</b>	<b><u>37,281,063</u></b>	<b><u>34,574,723</u></b>	<b><u>2,706,340</u></b>	<b><u>7.83%</u></b>
<b>Expenditures:</b>				
Salaries	20,663,069	19,553,213	1,109,856	5.68%
Benefits	8,016,975	7,601,184	415,791	5.47%
Purchased Services	2,162,621	1,754,080	408,541	23.29%
Supplies/Materials	2,946,368	1,659,788	1,286,580	77.51%
Capital Outlay	319,196	820,265	(501,069)	(61.09%)
Other (net of indirect cost reimbursement)	616,310	424,617	191,693	45.14%
<b>Total Expenditures</b>	<b><u>34,724,539</u></b>	<b><u>31,813,147</u></b>	<b><u>2,911,392</u></b>	<b><u>9.15%</u></b>
<b>Excess of Revenues over Expenditures</b>	<b>2,556,524</b>	<b>2,761,576</b>	<b>(205,052)</b>	<b>(7.43%)</b>
<b>Allocations and Transfers</b>	<b><u>(2,189,525)</u></b>	<b><u>(1,961,509)</u></b>	<b><u>(228,016)</u></b>	<b><u>11.62%</u></b>
<b>Net Change in Fund Balances</b>	<b><u>\$ 366,999</u></b>	<b><u>\$ 800,067</u></b>	<b><u>\$ (433,068)</u></b>	<b><u>(54.13%)</u></b>

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2023**

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

**Changes in Fund Balance: 2023 to 2022 (continued)**

**Table 5: Mill Levy Department**

	<u>2023</u>	<u>2022</u>	<u>Total Dollar Change</u>	<u>Total Percent Change</u>
Revenues:				
Property Taxes	\$ 545,179	\$ 549,871	\$ (4,692)	(0.85%)
Other	16,513	2,786	13,727	492.71%
Total Revenues	<u>561,692</u>	<u>552,657</u>	<u>9,035</u>	<u>1.63%</u>
Expenditures:				
Instruction & Supporting Services	424,653	475,061	(50,408)	(10.61%)
Capital Outlay	78,318	211,054	(132,736)	(62.89%)
Total Expenditures	<u>502,971</u>	<u>686,115</u>	<u>(183,144)</u>	<u>(26.69%)</u>
Net Change in Fund Balances	<u>\$ 58,721</u>	<u>\$ (133,458)</u>	<u>\$ 192,179</u>	<u>(144.00%)</u>

**Table 6: Daycare Department**

	<u>2023</u>	<u>2022</u>	<u>Total Dollar Change</u>	<u>Total Percent Change</u>
Revenues:				
Local Sources	\$ 426,270	\$ 248,828	\$ 177,442	71.31%
Other	97,346	105,222	(7,876)	(7.49%)
Total Revenues	<u>523,616</u>	<u>354,050</u>	<u>169,566</u>	<u>47.89%</u>
Expenditures:				
Supporting Services	419,868	544,299	(124,431)	(22.86%)
Capital Outlay	19,608	-	19,608	100.00%
Total Expenditures	<u>439,476</u>	<u>544,299</u>	<u>(104,823)</u>	
Excess Revenues over Expenditures	84,140	(190,249)	274,389	(144.23%)
Allocations and Transfers	60,000		60,000	100.00%
Net Change in Fund Balances	<u>\$ 144,140</u>	<u>\$ (190,249)</u>	<u>\$ 334,389</u>	<u>(175.76%)</u>

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2023**

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

**Changes in Fund Balance: 2023 to 2022 (continued)**

**Table 7: Capital Reserve Department**

	<b>2023</b>	<b>2022</b>	<b>Dollar Change</b>	<b>Percent Change</b>
<b>Revenues:</b>				
Intergovernmental	\$ 18,439	\$ 27,812	\$ (9,373)	(33.70%)
Other	66,939	4,003	62,936	1572.22%
<b>Total Revenues</b>	<b>85,378</b>	<b>31,815</b>	<b>53,563</b>	<b>168.36%</b>
<b>Expenditures:</b>				
Instruction	-	-	-	0.00%
Supporting Services	47,806	-	47,806	100.00%
Noncapital Outlay	308,695	89,286	219,409	245.74%
Capital Outlay	369,639	552,966	(183,327)	(33.15%)
<b>Total Expenditures</b>	<b>726,140</b>	<b>642,252</b>	<b>83,888</b>	<b>13.06%</b>
Excess of Expenditures over Revenues	(640,762)	(610,437)	(30,325)	4.97%
Allocations and Transfers	519,000	519,000	-	0.00%
<b>Net Change in Fund Balances</b>	<b>\$ (121,762)</b>	<b>\$ (91,437)</b>	<b>\$ (30,325)</b>	<b>33.16%</b>

**Table 8: Insurance Department**

	<b>2023</b>	<b>2022</b>	<b>Dollar Change</b>	<b>Percent Change</b>
<b>Revenues:</b>				
Other Revenue	\$ 13,342	\$ -	\$ 13,342	100.00%
Investment Earnings	1,310	78	1,232	1579.49%
<b>Total Revenues</b>	<b>14,652</b>	<b>78</b>	<b>14,574</b>	<b>18684.62%</b>
<b>Expenditures:</b>				
Supporting Services	884,768	798,176	86,592	10.85%
Capital Outlay	-	-	-	100.00%
<b>Total Expenditures</b>	<b>884,768</b>	<b>798,176</b>	<b>86,592</b>	<b>10.85%</b>
Excess of Revenues over Expenditures	(870,116)	(798,098)	(72,018)	9.02%
<b>Other Financing Sources</b>				
Insurance Proceeds	-	3,376	(3,376)	(100.00%)
Allocations and Transfers	900,000	800,000	100,000	12.50%
<b>Total Other Financing Sources</b>	<b>900,000</b>	<b>803,376</b>	<b>96,624</b>	<b>12.03%</b>
<b>Net Change in Fund Balances</b>	<b>\$ 29,884</b>	<b>\$ 5,278</b>	<b>\$ 24,606</b>	<b>466.20%</b>

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2023**

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

**Changes in Fund Balance: 2023 to 2022 (continued)**

**Table 9: Preschool Department**

	<u>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues:				
Interest Income	\$ 1,756	\$ 161	\$ 1,595	990.68%
Intergovernmental	53,492	66,865	(13,373)	100.00%
Total Revenues	<u>55,248</u>	<u>67,026</u>	<u>(11,778)</u>	<u>(17.57%)</u>
Expenditures:				
Instruction	884,626	542,900	341,726	62.94%
Supporting Services	20,016	28,982	(8,966)	(30.94%)
Capital Outlay	33,329	5,228	28,101	537.51%
Total Expenditures	<u>937,971</u>	<u>577,110</u>	<u>360,861</u>	<u>62.53%</u>
Excess of Expenditures over Revenues	(882,723)	(510,084)	(372,639)	73.05%
Allocations and Transfers	710,525	592,920	117,605	19.83%
Net Change in Fund Balances	<u>\$ (172,198)</u>	<u>\$ 82,836</u>	<u>\$ (255,034)</u>	<u>(307.88%)</u>

The overall change in the six departments of the General Fund was a \$305,784 increase in fund balance. The General Department (Table 4) reflected an increase in total program funding which consisted of a \$2,975,543 increase in state equalization and a \$18,784 decrease in property and specific ownership tax. Intergovernmental revenue reflected a decrease of \$618,974. Other revenue increased \$368,555. The overall increased funding along with an increase in expenditures of \$2,911,392 created an increase in ending fund balance.

The Preschool Department (Table 9) reflected an increase in instructional salaries and related benefits. The Program had an increase in allocations which directly correlates to the increased number of preschool students enrolled under the CPP program.

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2023**

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

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

Table 10  
Governmental Fund Balances

	2023	2022	Dollar Change	Percent Change
General	\$ 13,302,627	\$ 12,996,843	\$ 305,784	2.35%
Federal Programs	331,983	303,302	28,681	9.46%
Building Fund	9,485,641	9,142,857	342,784	3.75%
<b>Total</b>	<b>\$ 23,120,251</b>	<b>\$ 22,443,002</b>	<b>\$ 677,249</b>	<b>3.02%</b>

The material change from above was generated from the General Fund, Federal Programs Fund and the Building Fund with fund balance increases of \$677,249.

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 2022-2023 revenue was \$448,098 lower than the final budgeted projections excluding inter-department allocations. Total General Fund actual expenditures and transfers were \$1,205,758 lower than the final budgeted expenditures. The budgeted savings were mainly accounted for in the General Fund decrease expenditures for salaries due to unfilled positions.

Of the total expenditures, Instructional expenditures were 4.9% (\$1,078,141) lower than the final budget. Budgeted salary and benefits are estimated at full employment and actual salary and benefits reflects the changes in employment throughout the year which normally results in salary savings. The District incurred actual benefit costs higher than the final budget amounts by \$163,646.

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

Supporting Services and transfers had a budget overage which amounted to \$450,176. The majority of those overages were in the other support category where the capital expenditures in the General, Mill Levy and Capital Reserve Departments were more than the final budgeted amount which represents the earmarking of capital projects not completed during the year. In addition, purchased services were less than budgeted.

49.73% of the District's total program funding comes from State equalization funding (\$22,878,409), which is a \$2,975,542 increase from 2021-2022.

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2023**

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

**Capital Assets and Debt Administration**

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

	Governmental Activities 2023	Governmental Activities 2022
Land	\$ 322,557	\$ 322,557
Construction in Progress	101,883	96,863
Right of use asset - SBITAs	688,963	-
Buildings and improvements	96,537,641	96,478,915
Furniture and equipment	6,592,317	6,160,590
Vehicles	3,248,709	3,248,709
Total	107,492,070	106,307,634
Less accumulated depreciation and amortization	(47,363,371)	(44,009,880)
Totals	<u>\$ 60,128,699</u>	<u>\$ 62,297,754</u>

The District had a net change of \$2,169,055 in capital assets in 2022-2023 which included \$101,883 of construction in process at June 30, 2023. There was an increase in the buildings and improvements total of \$1,179,416 resulting from SBITAs added to the schedule as well as additional furniture and equipment.

***Long-Term Debt***

At June 30, 2023 the District had \$27,485,099 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 \$459,379 in long-term obligations includes compensated absences recorded by the District at year end and SBITA liability which was a \$28,853 increase from the prior year.

**Morgan County School District Re-3**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2023**

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

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

**Table 12**  
**Long-Term Debt**  
**Year End**

	2023	2022	Change	Percent Change
General Obligation Bonds	\$ 25,410,000	\$ 27,345,000	\$ (1,935,000)	(7.08%)
Bond Premium	2,075,099	2,302,633	(227,534)	(9.88%)
SBITA Liability	28,853	-	28,853	100.00%
Compensated Absences	430,526	410,996	19,530	4.75%
<b>Total</b>	<b>\$ 27,944,478</b>	<b>\$ 30,058,629</b>	<b>\$ (2,114,151)</b>	<b>(7.03%)</b>

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

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

The Colorado Department of Education has made preliminary projections that there will be some incremental funding for 2023-2024 compared to 2022-2023.

The District's contribution to the PERA retirement plan were 21.4% for 2022-2023. Future increases are tied to the ongoing funding status of the retirement plan. The District changed its health insurance to CEPT and are guaranteed no more than a 10% increase for the next year. The rates are less than would have been paid in the BEST health insurance plan.

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

**Contacting the District's Financial Management**

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

**Morgan County School District Re-3**  
**Statement of Net Position**  
**June 30, 2023**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Investments	\$ 20,455,100
Restricted Investments	8,988,298
Receivable from Treasurer	151,789
Property Tax Receivable	465,586
Accounts Receivable	626,106
Intergovernmental Receivable	1,513,336
Prepaid Expenses	233,327
Inventory	191,466
Capital Assets	
Land	322,557
Construction In Progress	101,883
Other Capital Assets - Net of Accumulated Depreciation	59,704,259
<b>Total Assets</b>	<b>92,753,707</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Other Postemployment Benefit Related Amounts	375,500
Pensions Related Amounts	11,434,625
<b>Total Deferred Outflows of Resources</b>	<b>11,810,125</b>
<b>LIABILITIES</b>	
Accounts Payable	549,963
Accrued Salaries and Benefits	3,964,988
Hospital Escrow	10,854
Accrued Interest Payable	67,741
Insurance escrow	89,037
Unearned Revenue	634,690
Noncurrent Liabilities	
Due Within One Year	2,194,602
Due in More Than One Year	25,749,876
Net Pension Liability	50,366,120
Net Other Postemployment Benefit Liability	1,716,059
<b>Total Liabilities</b>	<b>85,343,930</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Other Postemployment Benefit Related Amounts	736,088
Pensions Related Amounts	7,554,168
<b>Total Deferred Inflows of Resources</b>	<b>8,290,256</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	41,731,467
Restricted for	
Emergency Reserve (TABOR)	1,500,000
Capital and Maintenance	998,053
Debt Service	2,600,962
Unrestricted (deficit)	(35,900,836)
<b>Total Net Position</b>	<b>\$ 10,929,646</b>

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, 2023**

	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
<u>FUNCTIONS/PROGRAMS</u>					
PRIMARY GOVERNMENT					
Governmental Activities					
Instruction	\$ 21,555,402	\$ 561,416	\$ 5,370,876	\$ 488,494	\$ (15,134,616)
Supporting Services	20,026,705	331,051	483,128	-	(19,212,526)
Food Services	2,119,505	348,631	1,697,346	-	(73,528)
Interest on Long-Term Debt	621,587	-	-	-	(621,587)
	<u>44,323,199</u>	<u>1,241,098</u>	<u>7,551,350</u>	<u>488,494</u>	<u>(35,042,257)</u>
Total Governmental Activities	<u>\$ 44,323,199</u>	<u>\$ 1,241,098</u>	<u>\$ 7,551,350</u>	<u>\$ 488,494</u>	<u>(35,042,257)</u>
GENERAL REVENUES					
Property and Specific Ownership Taxes					12,583,396
State Equalization					22,878,409
Miscellaneous					350,491
Interest Income					907,690
					<u>36,719,986</u>
TOTAL GENERAL REVENUES					<u>36,719,986</u>
CHANGE IN NET POSITION					1,677,729
NET POSITION - BEGINNING OF YEAR					<u>9,251,917</u>
NET POSITION - END OF YEAR					<u>\$ 10,929,646</u>

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

**Morgan County School District Re-3**  
**Balance Sheet – Governmental Funds**  
**June 30, 2023**

	General	Federal Programs Fund	Building Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 16,029,144	\$ 589,077	\$ -	\$ 3,836,879	\$ 20,455,100
Restricted Investments	-	-	8,988,298	-	8,988,298
Receivable from Treasurer	151,789	-	-	-	151,789
Property and S.O. Tax Receivable	465,586	-	-	-	465,586
Accounts Receivable	132,234	300	-	493,572	626,106
Intergovernmental Receivable	1,176,530	336,806	-	-	1,513,336
Interfund Receivable	638,823	313,567	628,092	30,436	1,610,918
Prepaid Expenditures	167,940	16,945	47,324	1,118	233,327
Inventory	79,567	-	-	111,899	191,466
<b>Total Assets</b>	<b>\$ 18,841,613</b>	<b>\$ 1,256,695</b>	<b>\$ 9,663,714</b>	<b>\$ 4,473,904</b>	<b>\$ 34,235,926</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 443,239	\$ 44,352	\$ -	\$ 62,045	\$ 549,636
Hospital Escrow	10,854	-	-	-	10,854
Accrued Salaries and Benefits	3,689,471	176,271	-	99,246	3,964,988
Due to Other Governments	-	327	-	-	327
Interfund Payable	1,036,539	316,938	89,036	168,405	1,610,918
Unearned Revenue	132,817	386,824	-	115,049	634,690
Insurance escrow	-	-	89,037	-	89,037
<b>Total Liabilities</b>	<b>5,312,920</b>	<b>924,712</b>	<b>178,073</b>	<b>444,745</b>	<b>6,860,450</b>
<b>Deferred Inflows of Resources:</b>					
Taxes	226,066	-	-	-	226,066
<b>Total Deferred Inflows of Resources</b>	<b>226,066</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>226,066</b>
<b>Fund Balances:</b>					
<b>Nonspendable</b>					
Inventory	79,567	-	-	111,899	191,466
Prepaid Expenditures	167,940	16,945	47,324	1,118	233,327
<b>Restricted</b>					
Emergency Reserve (TABOR)	1,500,000	-	-	-	1,500,000
Mill Levy - Capital and Maintenance	702,594	-	-	-	702,594
Capital Construction	-	-	9,438,317	-	9,438,317
Debt service	-	-	-	2,600,962	2,600,962
<b>Assigned</b>					
Activity Funds	-	-	-	628,644	628,644
Capital Projects/Replacements	526,613	315,038	-	684,459	1,526,110
Food Service	-	-	-	2,077	2,077
Subsequent Year's Budget	802,450	-	-	-	802,450
Unassigned	9,523,463	-	-	-	9,523,463
<b>Total Fund Balances</b>	<b>13,302,627</b>	<b>331,983</b>	<b>9,485,641</b>	<b>4,029,159</b>	<b>27,149,410</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 18,841,613</b>	<b>\$ 1,256,695</b>	<b>\$ 9,663,714</b>	<b>\$ 4,473,904</b>	<b>\$ 34,235,926</b>

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

**Morgan County School District Re-3**  
**Reconciliation of the Balance Sheet - Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2023**

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

Total fund balances	\$	27,149,410
Capital assets used in governmental activities are not financial resources and, therefore, are not reported		60,128,699
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		226,066
Long-term liabilities and related items are not due and payable in the current period and therefore are not reported		
Compensated absences		(430,526)
Bonds payable		(25,410,000)
Bond premium		(2,075,099)
Accrued Interest		(67,741)
SBITA liability		(28,853)
Net pension liability and related deferrals		(46,485,663)
OPEB liability and related deferrals		(2,076,647)
		(97,374,929)
Total net position of governmental activities	\$	10,929,646

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

**Morgan County School District Re-3**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds**  
**For the Fiscal Year Ended June 30, 2023**

	<u>General</u>	<u>Federal Programs Fund</u>	<u>Building Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property Taxes	\$ 8,873,137	\$ -	\$ -	\$ 2,734,209	\$ 11,607,346
Specific Ownership Taxes	999,639	-	-	-	999,639
Intergovernmental	4,745,247	1,696,544	-	1,696,943	8,138,734
State Equalization	22,878,409	-	-	-	22,878,409
Interest Income	430,538	28,681	368,921	79,550	907,690
Other	167,324	-	-	594,069	761,393
Local Sources	427,355	23,311	-	318,124	768,790
<b>Total Revenues</b>	<b>38,521,649</b>	<b>1,748,536</b>	<b>368,921</b>	<b>5,422,895</b>	<b>46,062,001</b>
Expenditures:					
Current					
Instruction	20,547,410	727,768	-	-	21,275,178
Supporting Services	16,539,670	982,081	172	567,193	18,089,116
Food Services	-	-	-	2,146,228	2,146,228
Debt Service					
Principal	-	-	-	1,935,000	1,935,000
Interest	-	-	-	847,922	847,922
Agent fees	-	-	-	6,249	6,249
Non Capital Outlay	697,409	4,055	-	114,640	816,104
Capital Outlay	431,376	5,951	25,966	30,195	493,488
<b>Total Expenditures</b>	<b>38,215,865</b>	<b>1,719,855</b>	<b>26,138</b>	<b>5,647,427</b>	<b>45,609,285</b>
Net Change in Fund Balances	305,784	28,681	342,783	(224,532)	452,716
Fund Balances - Beginning of the Year	12,996,843	303,302	9,142,858	4,253,691	26,696,694
Fund Balances - End of the Year	<u>\$ 13,302,627</u>	<u>\$ 331,983</u>	<u>\$ 9,485,641</u>	<u>\$ 4,029,159</u>	<u>\$ 27,149,410</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, 2023**

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

Net Change in Fund Balances of Governmental Funds. \$ 452,716

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	660,110	
Depreciation and amortization expense	(3,353,491)	
Net capital outlays	495,473	(2,197,908)

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	227,534	227,534
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Governmental funds report bond 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:

Repayment of bond principal		1,935,000
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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.

5,050

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	(19,530)	
Change in the net pension liability and deferreds	1,117,103	
Change in other postemployment benefit related and deferreds	219,028	1,316,601

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		(61,264)
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Change in net position of governmental activities.		\$ 1,677,729
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The accompanying notes are an integral part of the basic financial statements.

**Morgan County School District Re-3**  
**Statement of Fiduciary Net Position**  
**June 30, 2023**

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	<b>Private-Purpose Trust Fund</b>
	<u>                    </u>
ASSETS	
Cash and Investments	\$ 172,279
Total Assets	<u>172,279</u>
NET POSITION	
Held in Trust for Scholarships/Students	82,970
Held in Trust for Endowments	<u>89,309</u>
Total Net Position	<u>\$ 172,279</u>

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

**Morgan County School District Re-3**  
**Statement of Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended June 30, 2023**

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	<u>Private-Purpose Trust Fund</u>
Additions:	
Contributions and Donations	\$ 321,550
Interest Income	827
Total Additions	<u>322,377</u>
Deductions:	
Scholarship Awards	<u>290,124</u>
Total Deductions	<u>290,124</u>
Change in Net Position	32,253
Net Position - Beginning of the Year	<u>140,026</u>
Net Position - End of the Year	<u><u>\$ 172,279</u></u>

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

## **Morgan County School District Re-3**

### ***Notes to the Financial Statements***

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#### **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.

**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.

**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). The following are the District’s major governmental funds:

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

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

## **Morgan County School District Re-3**

### ***Notes to the Financial Statements***

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#### **Note 1 – Summary of Significant Accounting Policies (continued)**

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

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

*Fiduciary Fund* – Fiduciary fund reporting focuses on net position and changes in net position. This fund accounts for resources received and held by the District in a fiduciary capacity. The fund included in this category is:

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.

#### **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 regard to interfund activities, payables and receivables. All internal balances in the statement of net position and the statement of activities have been eliminated.

## **Morgan County School District Re-3**

### ***Notes to the Financial Statements***

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#### **Note 1 – Summary of Significant Accounting Policies (continued)**

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

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

Nonmajor 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.

The fiduciary 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.

**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 and fifty day period is used.

## **Morgan County School District Re-3**

### ***Notes to the Financial Statements***

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#### **Note 1 – Summary of Significant Accounting Policies (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.

**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.

**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 classified as interfund receivables or interfund payables on the fund financial statements.

**Morgan County School District Re-3**  
**Notes to the Financial Statements**

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**Note 1 – Summary of Significant Accounting Policies (continued)**

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

**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 FIFO method, consists of expendable supplies held for consumption.

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at the acquisition value on the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not.

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

**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.

## **Morgan County School District Re-3**

### ***Notes to the Financial Statements***

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#### **Note 1 – Summary of Significant Accounting Policies (continued)**

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.

**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.

**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 assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items (property taxes and grants) which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred inflows of resources are reported in the governmental funds balance sheet for property taxes and grants not as available as current financial resources.

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

## **Morgan County School District Re-3**

### ***Notes to the Financial Statements***

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#### **Note 1 – Summary of Significant Accounting Policies (continued)**

**Leases and Subscription-Based Information Technology Arrangements** – The District recognizes lease contracts or equivalents (including Subscription-Based Information Technology Arrangements (SBITAs)) that have a term exceeding one year and the cumulative future payments on the contract exceed \$5,000 that meet the definition of an other than short-term lease. The District uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the District's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain indirect costs, if applicable. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

#### **Pensions and Post-employment 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 Post-employment Benefits (OPEB)* – The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit post-employment 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.

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

## **Morgan County School District Re-3**

### ***Notes to the Financial Statements***

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#### **Note 1 – Summary of Significant Accounting Policies (continued)**

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

**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.

**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.

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

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.

**New Accounting Pronouncements** – During the fiscal year ended June 30, 2023, the District implemented the following GASB pronouncement:

*GASB Statement 96, Subscription-Based Information Technology Arrangements (GASB 96)*. The District implemented GASB 96 as of July 1, 2022. The District evaluated contracts that involved the use of software to determine if they meet the definition of a SBITA in GASB 96 wherein a subscription liability needed to be recorded. Contracts that met the definition of a SBITA were identified and intangible right to use subscription assets were recorded along with corresponding subscription liabilities. The beginning net position was not restated for adoption of GASB 96.

# Morgan County School District Re-3

## Notes to the Financial Statements

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### Note 2 – Cash and Investments

#### 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, 2023, the District had bank deposits of \$3,110,492 collateralized with securities held by the financial institutions agents but not in the District's name.

#### 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.

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

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

**Morgan County School District Re-3**  
**Notes to the Financial Statements**

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**Note 2 – Cash and Investments (continued)**

*Fair Value Measurements* – At June 30, 2023, 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, 2023, the District had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Total</u>
COLOTRUST	Less than one year	\$ 12,532,743
CSAFE	Less than one year	10,500,332
Money Market Fund	Less than one year	<u>2,522,532</u>
<b>Total</b>		<b><u>\$ 25,555,607</u></b>

The cash held in the money market fund \$2,522,532 is required to be used for the payment of long-term debt (see Note 8).

	<u>Investments</u>	<u>Cash</u>	<u>Total Cash &amp; Investments</u>
Combined General Fund			
General Department	\$ 12,542,404	\$ 1,724,040	\$ 14,266,444
Mill Levy Department	597,964	126,425	724,389
Daycare Department	126	77,140	77,266
Capital Reserve Department	1,564	569,006	570,570
Insurance Department	34,399	303,970	338,369
Colorado Preschool Department	1,258	50,848	52,106
Total Combined General Fund	<u>13,177,715</u>	<u>2,851,429</u>	<u>16,029,144</u>
Federal Programs Fund	633,018	(43,942)	589,076
Bond Redemption Fund	2,522,532	-	2,522,532
Building Fund	8,988,298	-	8,988,298
Food Services Fund	143,786	514,555	658,341
Private Purpose Trust Fund	-	172,279	172,279
Pupil Activity Fund	90,258	565,749	656,007
Total Cash and Investments	<u>25,555,607</u>	<u>4,060,070</u>	<u>29,615,677</u>
Less Cash Held By Third Parties			
General Fund Department			
BEST Health Trust (See Note 14)	-	(500,000)	(500,000)
Total Cash and Investments Held By District	<u>\$ 25,555,607</u>	<u>\$ 3,560,070</u>	<u>\$ 29,115,677</u>

**Morgan County School District Re-3**  
**Notes to the Financial Statements**

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**Note 3 – Property Taxes**

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

**Note 4 – Interfund Balances and Transactions**

The District reports interfund balances between many of its funds. These balances result from a time lag between the dates interfund goods and services are provided or reimbursable expenditures occur and payments between funds occur. On the fund financial statements, interfund receivables and payables as of June 30, 2023, consist of the following:

	Interfund Receivables	Interfund Payables
General Fund		
General Fund Department	\$ 482,520	\$ 990,815
Mill Levy Maintenance	3,474	-
Daycare	67,777	9,895
Capital Reserve	20,773	-
Colorado Preschool Department	64,279	35,829
Total General Fund	638,823	1,036,539
Federal Programs Fund	313,567	316,938
Bond Redemption Fund	19,425	4,192
Building Fund	628,092	89,036
Food Service Fund	3,333	163,670
Pupil Activity Fund	7,678	543
Total	\$ 1,610,918	\$ 1,610,918

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, 2023.

## Morgan County School District Re-3

### Notes to the Financial Statements

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#### Note 5 – Capital Assets

For the year ended June 30, 2023, the District charged \$983,181 and \$2,269,904 in depreciation expense to instruction and supporting services, respectively.

For the year ended June 30, 2023, the District charged \$100,406 in amortization expense to instruction services.

Activity of depreciated and amortized capital assets for the fiscal year ended June 30, 2023, is as follows:

<u>Governmental Activities</u>	Balance 6/30/2022	Additions	Deletions	Balance 6/30/2023
Non-depreciable capital assets:				
Land and Water Rights	\$ 322,557	\$ -	\$ -	\$ 322,557
Construction in Progress	96,863	38,550	(33,530)	101,883
Total Non-depreciable Assets	<u>419,420</u>	<u>38,550</u>	<u>(33,530)</u>	<u>424,440</u>
Capital Assets Being Depreciated or Amortized				
Right of use asset - SBITAs	-	688,963	-	688,963
Buildings and improvements	96,478,915	58,726	-	96,537,641
Furniture and Equipment	6,160,590	431,727	-	6,592,317
Vehicles	3,248,709	-	-	3,248,709
Total Capital Assets Being Depreciated	<u>105,888,214</u>	<u>1,179,416</u>	<u>-</u>	<u>107,067,630</u>
Less accumulated depreciation and amortization for:				
Right of use asset - SBITAs	-	(100,406)	-	(100,406)
Buildings and improvements	(37,245,453)	(2,783,545)	-	(40,028,998)
Furniture and Equipment	(4,206,812)	(277,670)	-	(4,484,482)
Vehicles	(2,557,615)	(191,870)	-	(2,749,485)
Total Accumulated Depreciation / Amortization	<u>(44,009,880)</u>	<u>(3,353,491)</u>	<u>-</u>	<u>(47,363,371)</u>
Total Capital Assets Being Depreciated or Amortized	<u>61,878,334</u>	<u>(2,174,075)</u>	<u>-</u>	<u>59,704,259</u>
Net Capital Assets				
Governmental Activities	<u>\$ 62,297,754</u>	<u>\$ (2,135,525)</u>	<u>\$ (33,530)</u>	<u>\$ 60,128,699</u>

**Morgan County School District Re-3**  
**Notes to the Financial Statements**

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**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, 2023, accrued salaries and benefits were as follows:

General Fund	
General Fund Department	\$ 3,536,146
Mill Levy Department	24,744
Daycare Department	29,584
Colorado Preschool Department	<u>98,997</u>
Total General Fund	3,689,471
Federal Programs Fund	176,271
Food Service Fund	<u>99,246</u>
Total Governmental Activities	<u><u>\$ 3,964,988</u></u>

**Note 7 – Changes in Long-Term Debt**

The changes in governmental activities long-term debt for the year ended June 30, 2023, are as follows:

	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023	Due Within One Year
Bonds Payable	\$ 27,345,000	\$ -	\$ 1,935,000	\$ 25,410,000	\$ 1,920,000
Bond Premium	2,302,633	-	227,534	2,075,099	-
SBITA Liability	-	681,463	652,610	28,853	28,853
Compensated Absences	<u>410,996</u>	<u>462,373</u>	<u>442,843</u>	430,526	<u>245,749</u>
	<u>\$ 30,058,629</u>	<u>\$ 1,143,836</u>	<u>\$ 3,257,987</u>	27,944,478	<u>\$ 2,194,602</u>
Less Amount Due Within One Year				<u>2,194,602</u>	
Due in More Than One Year				<u><u>\$ 25,749,876</u></u>	

Compensated absences will be liquidated by the General Fund.

**Morgan County School District Re-3**  
**Notes to the Financial Statements**

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**Note 8 – Bonds Payable**

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

The general obligation bonds, series 2014, dated March 5, 2014, mature on December 1 with interest payable semi-annually on June 1 and December 1, commencing June 1, 2014. The bonds mature on December 1, 2026.

The General Obligation Bonds are summarized as follows:

Maturity	Interest Rate	Principal Maturing For Year	Interest Requirement	Total
2023-2024	4.00%	\$ 975,000	\$ 145,900	\$ 1,120,900
2024-2025	4.00%	1,010,000	106,200	1,116,200
2025-2026	4.00%	1,055,000	64,900	1,119,900
2026-2027	4.00%	1,095,000	21,900	1,116,900
		<u>\$ 4,135,000</u>	<u>\$ 338,900</u>	<u>\$ 4,473,900</u>

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

The general obligation bonds, series 2015, dated February 12, 2015, mature on December 1 with interest payable semi-annually on June 1 and December 1, commencing June 1, 2014. The bonds mature on December 1, 2034, and are subject to optional call on December 1, 2024, at par plus accrued interest. The bonds were partially refunded with the 2021 Series.

**Morgan County School District Re-3**  
**Notes to the Financial Statements**

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**Note 8 – Bonds Payable (continued)**

The General Obligation Bonds are summarized as follows:

Maturity	Interest Rate	Principal Maturing For Year	Interest Requirement	Total
2023-2024	5.00%	\$ 485,000	\$ 37,625	\$ 522,625
2024-2025	5.00%	510,000	12,750	522,750
		<u>\$ 995,000</u>	<u>\$ 50,375</u>	<u>\$ 1,045,375</u>

*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 \$620,343.

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 bonds mature on December 1, 2034, and are subject to optional call on December 1, 2032, at a price of par plus accrued interest.

Maturity	Interest Rate	Principal Maturing For Year	Interest Requirement	Total
2023-2024	5%	\$ 155,000	\$ 137,096	\$ 292,096
2024-2025	5%	155,000	136,198	291,198
2025-2026	5%	690,000	132,144	822,144
2026-2027	5%	700,000	124,355	824,355
2027-2028	5%	705,000	114,903	819,903
2028-2029	5%	715,000	103,787	818,787
2026-2035	5%	4,590,000	314,616	4,904,616
		<u>\$ 7,710,000</u>	<u>\$ 1,063,099</u>	<u>\$ 8,773,099</u>

**Morgan County School District Re-3**  
**Notes to the Financial Statements**

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**Note 8 – Bonds Payable (continued)**

On February 1, 2022, the District issued \$9,945,000 and \$3,005,000 in general obligation bond, series 2022A and 2022B, respectively. The bonds were sold with a premium of \$1,870,910 with interest rates ranging from 1.22 to 5.00 percent. The net proceeds of \$14,820,910 was used for the purpose of funding construction updates for the sports complex for the District, paying off the Vectra capital lease and defeasance of the Sterling capital lease, of which \$2,759,482 was placed in an irrevocable escrow account to provide for all future capitalize lease payments. The economic gain of the capital lease refunding was a present value savings of \$11,623.

The general obligation bonds, series 2022A dated February 1, 2022, with payments due 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:

General Obligation Bonds are summarized as follows:

Maturity	Interest Rate	Principal Maturing For Year	Interest Requirement	Total
2023-2024	5%	\$ -	\$ 412,950	\$ 412,950
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
2028-2033	5%	1,515,000	1,953,625	3,468,625
2033-2038	5%	4,570,000	1,302,400	5,872,400
2038-2040	4%	3,860,000	235,800	4,095,800
		<u>\$ 9,945,000</u>	<u>\$ 5,556,575</u>	<u>\$ 15,501,575</u>

The general obligation bonds, series 2022B dated February 1, 2022 due 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.

**Morgan County School District Re-3**  
**Notes to the Financial Statements**

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**Note 8 – Bonds Payable (continued)**

The General Obligation Bonds are summarized as follows:

General Obligation Bonds are summarized as follows:

Maturity	Interest Rate	Principal Maturing For Year	Interest Requirement	Total
2023-2024	1.22%	\$ 305,000	\$ 49,925	\$ 354,925
2024-2025	1.45%	310,000	45,817	355,817
2025-2026	1.73%	315,000	40,845	355,845
2026-2027	2.02%	320,000	34,888	354,888
2027-2028	2.13%	450,000	26,863	476,863
2028-2030	2.45%	925,000	22,550	947,550
		<u>\$ 2,625,000</u>	<u>\$ 220,888</u>	<u>\$ 2,845,888</u>

**Note 9 – Defined Benefit Pension Plan**

**General Information**

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

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

**Morgan County School District Re-3**  
**Notes to the Financial Statements**

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**Note 9 – Defined Benefit Pension Plan (continued)**

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

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

**Contributions** – The District and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. In addition, in accordance with Title 24, Article 51, Part 414 of the CRS, beginning on July 1, 2018, the State is required to contribute a total of \$225 million to PERA in a manner that is proportionate to the annual payroll of specified divisions of PERA, a portion of which is allocated to the SDTF. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees was 10.0% of covered salaries. The District’s contribution rate for calendar year 2022, and through June 30, 2023, 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 10). The District’s contributions to the SDTF for the year ended June 30, 2023, were \$3,722,588, 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 on July 1, to ensure that PERA is able to eliminate its unfunded liability. Both member and employer contribution rates can increase (or decrease) each year, not to exceed an additional 2%.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability. The amount recognized by the District as its proportionate share of the net pension liability were as follows:

District’s proportionate share of the net pension liability	\$ 50,366,120
State’s proportionate share of the net pension liability associated with the District	<u>14,677,193</u>
Total	<u><u>\$ 65,043,313</u></u>

At June 30, 2023, the District reported a net pension liability of \$50,366,120 representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll forward the total pension liability to December 31, 2022.

**Morgan County School District Re-3**  
**Notes to the Financial Statements**

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**Note 9 – Defined Benefit Pension Plan (continued)**

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, 2022, relative to the contributions of all participating employers. At December 31, 2022, the District's proportion was 0.277%, which was a decrease of 0.087% from its proportion measured at December 31, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$3,268,114 and expense of \$1,336,484 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 476,667	\$ -
Changes of assumptions and other inputs	892,150	-
Net difference between projected and actual earnings on plan investments	6,766,029	-
Changes in proportion	681,808	7,554,168
Contributions subsequent to the measurement date	<u>2,617,971</u>	<u>-</u>
Total	<u>\$ 11,434,625</u>	<u>\$ 7,554,168</u>

**Morgan County School District Re-3**  
**Notes to the Financial Statements**

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**Note 9 – Defined Benefit Pension Plan (continued)**

District contributions subsequent to the measurement date of \$2,617,971 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,	
2024	\$ (3,072,183)
2025	(1,483,234)
2026	1,882,407
2027	<u>3,935,496</u>
Total	<u>\$ 1,262,486</u>

**Actuarial Assumptions** – The actuarial valuation as of December 31, 2022, 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, 2021, to December 31, 2022:

	<u>Assumptions</u>
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.4% - 11%
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	1%
Hired after 12/31/06	AIR

Healthy mortality assumptions for active members were based on the Pub2010 Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 99 percent of the PubNS-2010 Disabled Retiree Mortality Table.

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2021, to December 31, 2022.

## Morgan County School District Re-3

### Notes to the Financial Statements

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#### Note 9 – Defined Benefit Pension Plan (continued)

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The 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 20, 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 Rates 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>	

**Discount Rate** – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the rates specified in State statutes and that covered payroll will increase annually at 3.0%. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, with certain limitations. In addition, the projection assumes the State will provide an annual direct distribution of \$225 million until the PERA pension plans are fully funded. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Morgan County School District Re-3**  
**Notes to the Financial Statements**

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**Note 9 – Defined Benefit Pension Plan (continued)**

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

	1% Decrease (6.25%)	Current Discount Rate 7.25%	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 65,911,929	\$ 50,366,120	\$ 37,383,781

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

**Note 10 – Post-employment Healthcare Benefits**

**General Information**

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

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

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

**Morgan County School District Re-3**  
**Notes to the Financial Statements**

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**Note 10 – Post-employment Healthcare Benefits (continued)**

*Contributions* – As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the District's contributions to the School Division Trust Fund (SDTF) (see Note 9) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The District's apportionment to the HCTF for the year ended June 30, 2023, was \$188,439, equal to the required amount.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** – At June 30, 2023, the District reported a net OPEB liability of \$1,716,059, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021.

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, 2022, relative to the contributions of all participating employers. At December 31, 2022, the District's proportion was 0.210%.

For the year ended June 30, 2023, the District recognized OPEB income of \$43,250. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 228	\$ 415,007
Changes of assumptions and other inputs	27,583	189,397
Net difference between projected and actual earnings on plan investments	104,816	-
Changes in proportion	101,120	131,684
Contributions subsequent to the measurement date	<u>141,753</u>	<u>-</u>
Total	<u>\$ 375,500</u>	<u>\$ 736,088</u>

**Morgan County School District Re-3**  
**Notes to the Financial Statements**

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**Note 10 – Post-employment Healthcare Benefits (continued)**

District contributions subsequent to the measurement date of \$141,753 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,

2024	\$ (169,927)
2025	(252,142)
2026	(144,337)
2027	54,649
2028	7,594
2029	<u>1,822</u>
Total	<u>\$ (502,341)</u>

**Actuarial Assumptions** – The actuarial valuation as of December 31, 2021, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.4% - 11%
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	0.00%
Medicare plans	3.75%
Medicare Part A premiums:	
3.75% for 2022, gradually rising to 4.50% in 2029	

Healthy mortality assumptions for active members were based on the Pub2010 Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 99 percent of the PubNS-2010 Disabled Retiree Mortality Table.

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

**Morgan County School District Re-3**  
**Notes to the Financial Statements**

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**Note 10 – Post-employment Healthcare Benefits (continued)**

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, actuarial assumptions workshop and were adopted by PERA's Board during the November 20, 2020, Board meeting.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 20, 2020, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously in Note 9.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 1,989,421	\$ 1,716,059	\$ 1,482,246

**Morgan County School District Re-3**  
**Notes to the Financial Statements**

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**Note 10 – Post-employment Healthcare Benefits (continued)**

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates** – The following presents the District’s proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 3.75% to 4.50%, as well as the District’s proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ 1,667,487	\$ 1,716,059	\$ 1,768,910

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

**Note 11 – Jointly Governed Organization**

The District participates in Centennial Board of Cooperative Education Services (BOCES). 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, 2023, the District paid \$190,602 for those services, which included \$8,076 paid for administrative services. Separate financial statements for the BOCES are available at 2020 Clubhouse Drive, Greeley, CO, 80634.

**Note 12 – Tax, Spending, and Debt Limitations**

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

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

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

## **Morgan County School District Re-3**

### ***Notes to the Financial Statements***

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#### **Note 12 – Tax, Spending, and Debt Limitations (continued)**

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, 2023, the District has restricted fund balance of \$1,500,000 in the General Fund for this reserve.

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

#### **Note 13 – Contingencies/Commitments**

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

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

However, in the opinion of the District, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2023.

## **Morgan County School District Re-3**

### ***Notes to the Financial Statements***

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#### **Note 14 – Risk Management**

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

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

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

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

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

The District pays a monthly premium to BEST to provide health insurance coverage and services for its plan members. Employees are responsible for paying a deductible amount before the plan begins to pay. The individual deductible amount for fiscal year 2023 was \$3,500. There is no lifetime maximum benefit for plan members.

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

As members of the BEST Health Plan, the District also purchases prescription coverage through the pool. In 2012 - 2017, the District deposited multiple amounts with BEST as a deposit to establish its claims fluctuation reserve (CFR). These deposits were made with letters accompanying the funds stating that in the event the District decided to exit the Plan, the deposits would be refunded to the District, less any outstanding run-off claims. Run-out claims are open claims at the termination date of the plan. Any additional billings not submitted by the terminations date would be covered by the District for these claims.

## **Morgan County School District Re-3**

### ***Notes to the Financial Statements***

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#### **Note 14 – Risk Management (continued)**

The balance on the balance sheet of the General Fund is currently \$500,000, which reflects the anticipated amount the District would receive after run-out claims and other fees to exit the group. The District sent a letter on February 8, 2022 notifying BEST that the District terminated the membership in the trust effective June 30, 2022. The BEST trust has decided to terminate and the exact amount the District will receive upon dissolution is not finalized so no entry has been made to adjust this amount.

#### **Note 15 – Litigation**

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

#### **Note 16 – Excess Expenditures**

For the year ended June 30, 2023, the District reported the following over expenditures:

General fund, Instruction \$47,960  
General fund, Student transportation \$7,791  
General fund, Central support \$49,381  
General fund, Other support \$469,396  
Bond fund, Debt service \$51,824  
Pupil Activity fund, \$335,430

## **Required Supplementary Information**

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**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, 2023**

PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	12/31/22	12/31/21	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
District's Proportion of the Net Pension Liability	<u>0.2765930783%</u>	<u>0.3631835325%</u>	<u>0.3631835325%</u>	<u>0.3439872861%</u>	<u>0.3276944674%</u>	<u>0.3696201719%</u>	<u>0.3602611241%</u>	<u>0.3617443754%</u>	<u>0.3656166177%</u>	<u>0.3707465781%</u>
District's Proportionate Share of the Net Pension Liability	\$ 50,366,120	\$ 36,725,202	\$ 54,906,025	\$ 51,390,954	\$ 58,025,036	\$ 119,522,027	\$ 107,263,668	\$ 55,326,248	\$ 49,553,333	\$ 47,288,626
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>14,677,193</u>	<u>4,210,075</u>	<u>-</u>	<u>6,518,289</u>	<u>7,934,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Proportionate Share	<u>\$ 65,043,313</u>	<u>\$ 40,935,277</u>	<u>\$ 54,906,025</u>	<u>\$ 57,909,243</u>	<u>\$ 65,959,154</u>	<u>\$ 119,522,027</u>	<u>\$ 107,263,668</u>	<u>\$ 55,326,248</u>	<u>\$ 49,553,333</u>	<u>\$ 47,288,626</u>
District's Covered Payroll	\$ 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	\$ 14,945,964
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	305%	216%	283%	254%	322%	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62%	75%	67%	65%	57%	44%	43%	59%	63%	64%

DISTRICT CONTRIBUTIONS

	6/30/23	6/30/22	6/30/21	6/30/20	6/30/19	6/30/18	6/30/17	6/30/16	6/30/15	6/30/14
Statutorily Required Contribution	\$ 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	\$ 2,422,215
Contributions in Relation to the Statutorily Required Contribution	<u>(4,149,707)</u>	<u>(3,835,152)</u>	<u>(3,819,008)</u>	<u>(4,015,672)</u>	<u>(3,534,150)</u>	<u>(3,315,227)</u>	<u>(3,045,963)</u>	<u>(2,830,814)</u>	<u>(2,614,912)</u>	<u>(2,422,215)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 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	\$ 1,514,726
Contributions as a Percentage of Covered Payroll	19.06%	19.83%	19.89%	19.38%	19.13%	18.89%	18.38%	17.74%	16.89%	15.99%

**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, 2023**

	<u>12/31/22</u>	<u>12/31/21</u>	<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>
<b>Proportionate Share of the Net OPEB Liability</b>						
District's Proportion of the Net OPEB Liability	0.2101779559%	0.2060495325%	0.2100975617%	0.2247254202%	0.2130048354%	0.2100175754%
District's Proportionate Share of the Net OPEB Liability	\$ 17,160,059	\$ 1,776,775	\$ 1,996,400	\$ 2,525,909	\$ 2,898,020	\$ 2,729,388
District's Covered Payroll	\$ 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 Liability as a Percentage of Covered Payroll	80%	9%	10%	13%	16%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	39%	39%	33%	24%	17%	18%
	<u>6/30/23</u>	<u>6/30/22</u>	<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>
<b>District Contributions</b>						
Statutorily Required Contribution	\$ 222,051	\$ 207,573	\$ 195,839	\$ 211,346	\$ 188,439	\$ 179,039
Contributions in Relation to the Statutorily Required Contribution	<u>(222,051)</u>	<u>(207,573)</u>	<u>(195,839)</u>	<u>(211,346)</u>	<u>(188,439)</u>	<u>(179,038)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 21,769,744	\$ 19,343,158	\$ 19,199,927	\$ 20,720,188	\$ 18,474,374	\$ 17,552,824
Contributions as a Percentage of Covered Payroll	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 Fiscal Year Ended June 30, 2023**

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	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Property Taxes	\$ 8,832,370	\$ 8,896,859	\$ 8,868,464	\$ (28,395)
Delinquent Taxes	9,000	9,000	4,673	(4,327)
Specific Ownership Taxes	701,580	750,000	716,697	(33,303)
Specific Ownership - Bond Redemption and Mill Levy	350,000	345,000	282,942	(62,058)
Tuition	5,070	5,070	1,085	(3,985)
Interest Income	10,105	179,055	430,538	251,483
Other	422,505	571,698	612,033	40,335
Federal Sources - Grants	4,767,312	3,700,105	2,276,873	(1,423,232)
State Sources:				
State Equalization	22,236,010	22,527,951	22,878,409	350,458
ESL	400,000	235,000	232,273	(2,727)
Vocational Education	82,074	82,000	58,759	(23,241)
Transportation	221,000	221,000	209,661	(11,339)
Special Education	879,000	875,000	1,115,802	240,802
SB17-267 Sustainability of Rural Colorado	572,000	572,000	644,486	72,486
Other State Sources	500	-	188,954	188,954
<b>Total Revenues</b>	<b>39,488,526</b>	<b>38,969,738</b>	<b>38,521,649</b>	<b>(448,089)</b>
Expenditures (See Schedules)				
Instruction	21,330,149	21,985,165	20,907,024	1,078,141
Supporting Services	19,269,888	17,436,458	17,308,841	127,617
<b>Total Expenditures</b>	<b>40,600,037</b>	<b>39,421,623</b>	<b>38,215,865</b>	<b>1,205,758</b>
<b>Net Change in Fund Balance</b>	<b>(1,111,511)</b>	<b>(451,885)</b>	<b>305,784</b>	<b>757,669</b>
<b>Beginning Fund Balance</b>	<b>12,996,843</b>	<b>12,996,843</b>	<b>12,996,843</b>	<b>-</b>
<b>Ending Fund Balance</b>	<b>\$ 11,885,332</b>	<b>\$ 12,544,958</b>	<b>\$ 13,302,627</b>	<b>\$ 757,669</b>

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - General Fund**  
**For the Fiscal Year Ended June 30, 2023**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Instruction</b>				
Salaries	\$ 14,441,969	\$ 14,543,030	\$ 14,063,097	\$ 479,933
Employee Benefits	5,665,186	5,613,780	5,478,345	135,435
Purchased Services	580,145	825,531	660,450	165,081
Supplies and Materials	322,969	346,853	263,466	83,387
Capital Outlay	183,620	514,116	359,614	154,502
Other	136,260	141,855	82,052	59,803
Total Instruction	<u>21,330,149</u>	<u>21,985,165</u>	<u>20,907,024</u>	<u>1,078,141</u>
Total Instructional Services	21,330,149	21,985,165	20,907,024	1,078,141
Less Capital Outlay	(183,620)	(514,116)	(359,614)	(154,502)
Net Instructional Services	<u>\$ 21,146,529</u>	<u>\$ 21,471,049</u>	<u>\$ 20,547,410</u>	<u>\$ 923,639</u>
<b>Supporting Services 21</b>				
<b>Students</b>				
Salaries	\$ 1,049,107	\$ 1,096,307	\$ 799,956	\$ 296,351
Employee Benefits	332,844	285,746	282,175	3,571
Purchased Services	15,950	76,150	103,187	(27,037)
Supplies and Materials	8,540	11,540	12,139	(599)
Capital Outlay	1,250	1,250	-	1,250
Other	1,150	1,650	410	1,240
Total Students	<u>1,408,841</u>	<u>1,472,643</u>	<u>1,197,867</u>	<u>274,776</u>
<b>Instructional Staff 22</b>				
Salaries	722,231	722,231	1,058,865	(336,634)
Employee Benefits	281,174	281,072	398,029	(116,957)
Purchased Services	177,455	313,195	194,458	118,737
Supplies and Materials	603,430	1,355,393	1,398,386	(42,993)
Capital Outlay	210,500	382,865	65,557	317,308
Other	27,650	28,050	15,471	12,579
Total Instructional Staff	<u>2,022,440</u>	<u>3,082,806</u>	<u>3,130,766</u>	<u>(47,960)</u>
<b>General Administration 23</b>				
Salaries	247,970	301,303	250,873	50,430
Employee Benefits	75,073	75,073	93,610	(18,537)
Purchased Services	196,531	260,031	180,906	79,125
Supplies and Materials	13,250	15,625	21,663	(6,038)
Capital Outlay	11,000	31,500	1,732	29,768
Other	23,050	2,550	21,299	(18,749)
Total General Administration	<u>566,874</u>	<u>686,082</u>	<u>570,083</u>	<u>115,999</u>
<b>School Administration 24</b>				
Salaries	1,665,204	1,665,204	1,718,410	(53,206)
Employee Benefits	560,528	560,528	626,825	(66,297)
Purchased Services	16,455	33,045	21,958	11,087
Supplies and Materials	14,115	14,115	12,125	1,990
Capital Outlay	17,849	17,949	2,816	15,133
Other	277,145	101,302	7,296	94,006
Total School Administration	<u>2,551,296</u>	<u>2,392,143</u>	<u>2,389,430</u>	<u>2,713</u>

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - General Fund**  
**For the Fiscal Year Ended June 30, 2023**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Business Services 25</b>				
Salaries	431,254	431,254	391,892	39,362
Employee Benefits	170,555	170,555	163,422	7,133
Purchased Services	188,600	195,075	149,994	45,081
Supplies and Materials	86,500	82,500	40,020	42,480
Capital Outlay	30,500	138,325	104,876	33,449
Other	(45,735)	(53,235)	(40,296)	(12,939)
<b>Total Business Services</b>	<b>861,674</b>	<b>964,474</b>	<b>809,908</b>	<b>154,566</b>
<b>Operations and Maintenance 26</b>				
Salaries	1,623,236	1,623,235	1,713,190	(89,955)
Employee Benefits	657,847	657,847	741,204	(83,357)
Purchased Services	775,163	964,174	822,177	141,997
Supplies and Materials	781,290	926,654	901,862	24,792
Capital Outlay	159,200	303,840	144,412	159,428
Other	1,234	1,834	648	1,186
<b>Total Operations and Maintenance</b>	<b>3,997,970</b>	<b>4,477,584</b>	<b>4,323,493</b>	<b>154,091</b>
<b>Student Transportation 27</b>				
Salaries	463,017	463,577	560,392	(96,815)
Employee Benefits	209,538	210,355	244,200	(33,845)
Purchased Services	161,542	151,902	91,178	60,724
Supplies and Materials	201,500	212,500	172,589	39,911
Capital Outlay	1,064,581	44,600	6,529	38,071
Other	(79,715)	(95,040)	(79,203)	(15,837)
<b>Total Student Transportation</b>	<b>2,020,463</b>	<b>987,894</b>	<b>995,685</b>	<b>(7,791)</b>
<b>Central Support 28</b>				
Salaries	527,237	584,050	567,580	16,470
Employee Benefits	213,804	156,991	193,248	(36,257)
Purchased Services	366,700	589,700	547,549	42,151
Supplies and Materials	75,250	114,850	155,407	(40,557)
Capital Outlay	523,225	343,225	376,928	(33,703)
Other	3,700	4,200	1,685	2,515
<b>Total Central Support</b>	<b>1,709,916</b>	<b>1,793,016</b>	<b>1,842,397</b>	<b>(49,381)</b>
<b>Other Support 29</b>				
Salaries	357,595	406,207	335,794	70,413
Employee Benefits	151,919	186,953	141,488	45,465
Purchased Services	920,900	921,570	869,152	52,418
Supplies and Materials	10,400	11,326	13,825	(2,499)
Capital Outlay	2,305,000	83,410	66,321	17,089
Other	384,600	(29,650)	622,632	(652,282)
<b>Total Other Support</b>	<b>4,130,414</b>	<b>1,579,816</b>	<b>2,049,212</b>	<b>(469,396)</b>
<b>Total Supporting Services</b>	<b>19,269,888</b>	<b>17,436,458</b>	<b>17,308,841</b>	<b>127,617</b>
<b>Total Support Services</b>	<b>19,269,888</b>	<b>17,436,458</b>	<b>17,308,841</b>	<b>127,617</b>
Less Capital Outlay	(4,323,105)	(1,346,964)	(769,171)	(577,793)
<b>Net Support Services</b>	<b>\$ 14,946,783</b>	<b>\$ 16,089,494</b>	<b>\$ 16,539,670</b>	<b>\$ (450,176)</b>

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule – Federal Programs Fund**  
**For the Fiscal Year Ended June 30, 2023**

	June 30, 2023				June 30, 2022
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
<b>Revenues:</b>					
Local Sources	\$ 50,000	\$ 33,000	\$ 23,311	\$ (9,689)	\$ 73,664
State Sources	1,000,725	807,353	763,196	(44,157)	772,577
Federal Sources	1,262,448	1,308,275	933,348	(374,927)	863,306
Interest Income	645	16,000	28,681	12,681	1,569
Total Revenues	2,313,818	2,164,628	1,748,536	(416,092)	1,711,116
<b>Expenditures:</b>					
Salaries	1,297,765	1,282,088	925,017	357,071	1,024,695
Benefits	505,023	498,350	350,976	147,374	395,972
Purchased Services	300,100	190,017	170,004	20,013	88,836
Supplies	156,047	137,545	238,531	(100,986)	160,333
Capital Outlay	44,500	4,000	5,951	(1,951)	6,020
Non Capital Outlay	4,821	36,627	4,055	32,572	39,892
Other	5,562	-	25,321	(25,321)	15,343
Total Expenditures	2,313,818	2,148,627	1,719,855	428,772	1,731,091
Excess (Deficiency) of Revenues over Expenditures	-	16,001	28,681	12,680	(19,975)
<b>Other Financing Sources:</b>					
Transfers In	-	-	-	-	49,589
Net Change in Fund Balance	-	16,001	28,681	12,680	29,614
Beginning Fund Balance	273,688	303,302	303,302	-	273,688
Ending Fund Balance	\$ 273,688	\$ 319,303	\$ 331,983	\$ 12,680	\$ 303,302

**Morgan County School District Re-3**  
**Notes to Required Supplementary Information**  
**June 30, 2023**

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

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

Changes in Assumptions and Other Inputs – For the year ended June 30, 2023, the total pension liability was determined by an actuarial valuation as of December 31, 2021. There were no significant changes to assumptions.

**Note (2) Budgets and Budgetary Accounting**

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

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

**Morgan County School District Re-3**  
**Combining Balance Sheet**  
**General Fund**  
**June 30, 2023**

	June 30, 2023						June 30, 2022	
	General Department	Mill Levy Department	Daycare Department	Capital Reserve Department	Insurance Department	Colorado Preschool Department	Total General Fund	Total General Fund
<b>Assets:</b>								
Cash and Investments	\$ 14,266,444	\$ 724,389	\$ 77,266	\$ 570,570	\$ 338,369	\$ 52,106	\$ 16,029,144	\$ 14,115,767
Receivable from Treasurer	149,029	2,760	-	-	-	-	151,789	146,012
Property and S.O. Tax Receivable	441,862	23,724	-	-	-	-	465,586	443,048
Accounts Receivable	70,658	-	61,576	-	-	-	132,234	149,249
Intergovernmental Receivable	1,176,530	-	-	-	-	-	1,176,530	1,390,437
Interfund Receivables	482,520	3,474	67,777	20,773	-	64,279	638,823	1,274,441
Prepaid Expenditures	70,138	-	-	97,802	-	-	167,940	230,812
Inventory	79,567	-	-	-	-	-	79,567	78,780
<b>Total Assets</b>	<b>\$ 16,736,748</b>	<b>\$ 754,347</b>	<b>\$ 206,619</b>	<b>\$ 689,145</b>	<b>\$ 338,369</b>	<b>\$ 116,385</b>	<b>\$ 18,841,613</b>	<b>\$ 17,828,546</b>
<b>Liabilities:</b>								
Accounts Payable	\$ 352,465	\$ 13,120	\$ 12,924	\$ 64,730	\$ -	\$ -	443,239	\$ 404,628
Hospital Escrow	10,854	-	-	-	-	-	10,854	14,123
Accrued Salaries and Benefits	3,536,146	24,744	29,584	-	-	98,997	3,689,471	3,783,526
Interfund Payables	990,815	-	9,895	-	-	35,829	1,036,539	268,870
Unearned Revenue	132,817	-	-	-	-	-	132,817	24,817
Deposits	-	-	-	-	-	-	-	118,338
<b>Total Liabilities</b>	<b>5,023,097</b>	<b>37,864</b>	<b>52,403</b>	<b>64,730</b>	<b>-</b>	<b>134,826</b>	<b>5,312,920</b>	<b>4,614,302</b>
<b>Deferred Inflows of Resources:</b>								
Taxes	212,177	13,889	-	-	-	-	226,066	217,401
<b>Total Deferred Inflows of Resources</b>	<b>212,177</b>	<b>13,889</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>226,066</b>	<b>217,401</b>
<b>Fund Balances:</b>								
<b>Non-Spendable</b>								
Prepaid Expenditures	70,138	-	-	97,802	-	-	167,940	36,755
Inventory	79,567	-	-	-	-	-	79,567	78,779
<b>Restricted</b>								
Emergency Reserve (TABOR)	1,500,000	-	-	-	-	-	1,500,000	1,500,000
Mill Levy - Capital and Maintenance	-	702,594	-	-	-	-	702,594	643,873
Preschool	-	-	-	-	-	-	-	153,758
<b>Assigned</b>								
Subsequent Year's Budget	802,450	-	-	-	-	-	802,450	-
Capital Projects/Replacements	-	-	-	526,613	-	-	526,613	746,177
Unassigned	9,049,319	-	154,216	-	338,369	(18,441)	9,523,463	9,837,501
<b>Total Fund Balances</b>	<b>11,501,474</b>	<b>702,594</b>	<b>154,216</b>	<b>624,415</b>	<b>338,369</b>	<b>(18,441)</b>	<b>13,302,627</b>	<b>12,996,843</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 16,736,748</b>	<b>\$ 754,347</b>	<b>\$ 206,619</b>	<b>\$ 689,145</b>	<b>\$ 338,369</b>	<b>\$ 116,385</b>	<b>\$ 18,841,613</b>	<b>\$ 17,828,546</b>

**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, 2023**

	For the Fiscal Year Ended June 30, 2023						For the Fiscal Year Ended June 30, 2022	
	General Department	Mill Levy Department	Daycare Department	Capital Reserve Department	Insurance Department	Colorado Preschool Department	Total General Fund	Total General Fund
Property Taxes	\$ 8,327,958	\$ 545,179	\$ -	\$ -	\$ -	\$ -	\$ 8,873,137	\$ 8,925,499
Specific Ownership Taxes	999,639	-	-	-	-	-	999,639	970,753
Intergovernmental	4,576,342	-	96,974	18,439	-	53,492	4,745,247	5,390,138
State Equalization	22,878,409	-	-	-	-	-	22,878,409	19,902,866
Interest Income	410,712	16,328	372	60	1,310	1,756	430,538	43,106
Other	86,918	185	-	66,879	13,342	-	167,324	50,211
Local Sources	1,085	-	426,270	-	-	-	427,355	297,776
<b>Total Revenues</b>	<b>37,281,063</b>	<b>561,692</b>	<b>523,616</b>	<b>85,378</b>	<b>14,652</b>	<b>55,248</b>	<b>38,521,649</b>	<b>35,580,349</b>
Expenditures:								
Current								
Instruction	19,652,623	10,161	-	-	-	884,626	20,547,410	19,366,585
Supporting Services	14,752,720	414,492	419,868	47,806	884,768	20,016	16,539,670	13,640,131
Debt Service								
Principal	-	-	-	-	-	-	-	275,000
Interest	-	-	-	-	-	-	-	100,584
Non Capital Outlay	319,196	33,583	2,606	308,695	-	33,329	697,409	817,293
Capital Outlay	-	44,735	17,002	369,639	-	-	431,376	861,506
<b>Total Expenditures</b>	<b>34,724,539</b>	<b>502,971</b>	<b>439,476</b>	<b>726,140</b>	<b>884,768</b>	<b>937,971</b>	<b>38,215,865</b>	<b>35,061,099</b>
Excess (Deficiency) of Revenues over Expenditures	2,556,524	58,721	84,140	(640,762)	(870,116)	(882,723)	305,784	519,250
Other Financing Sources (Uses):								
Insurance Proceeds	-	-	-	-	-	-	-	3,376
Allocations In	-	-	-	519,000	900,000	710,525	2,129,525	1,911,920
Allocations Out	(2,129,525)	-	-	-	-	-	(2,129,525)	(1,911,920)
Transfers Out (In)	(60,000)	-	60,000	-	-	-	-	(49,589)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,189,525)</b>	<b>-</b>	<b>60,000</b>	<b>519,000</b>	<b>900,000</b>	<b>710,525</b>	<b>-</b>	<b>(46,213)</b>
Net Change in Fund Balances	366,999	58,721	144,140	(121,762)	29,884	(172,198)	305,784	473,037
Fund Balances - Beginning of the Year	11,134,474	643,874	10,076	746,177	308,484	153,758	12,996,843	12,523,806
Fund Balances - End of the Year	\$ 11,501,473	\$ 702,595	\$ 154,216	\$ 624,415	\$ 338,368	\$ (18,440)	\$ 13,302,627	\$ 12,996,843

**Morgan County School District Re-3**  
**Combining Balance Sheet**  
**Nonmajor Funds**  
**June 30, 2023**

	June 30, 2023				June 30, 2022
	Food Service Fund	Pupil Activity Fund	Bond Fund	Total Non-Major Funds	Total Non-Major Funds
<b>ASSETS</b>					
Cash and Investments	\$ 658,342	\$ 656,006	\$ 2,522,531	\$ 3,836,879	\$ 4,110,374
Accounts Receivable	336,113	1,012	156,447	493,572	369,771
Interfund Receivables	3,333	7,678	19,425	30,436	27,301
Prepaid Expenditures	168	950	-	1,118	15,488
Inventory	111,899	-	-	111,899	58,982
<b>Total Assets</b>	<b>\$ 1,109,855</b>	<b>\$ 665,646</b>	<b>\$ 2,698,403</b>	<b>\$ 4,473,904</b>	<b>\$ 4,581,916</b>
<b>Liabilities:</b>					
Accounts Payable	\$ 26,536	\$ 35,509	\$ -	\$ 62,045	\$ 8,439
Accrued Salaries and Benefits	99,246	-	-	99,246	105,055
Interfund Payables	163,670	543	4,192	168,405	144,802
Unearned Revenue	21,800	-	93,249	115,049	69,929
<b>Total Liabilities</b>	<b>311,252</b>	<b>36,052</b>	<b>97,441</b>	<b>444,745</b>	<b>328,225</b>
<b>Fund Balances:</b>					
<b>Non-Spendable</b>					
Prepaid Expenditures	168	950	-	1,118	7,874
Inventory	111,899	-	-	111,899	58,982
<b>Restricted</b>					
Debt Service	-	-	2,600,962	2,600,962	2,604,422
<b>Assigned</b>					
Activity Funds	-	628,644	-	628,644	652,164
Food Service	2,077	-	-	2,077	2,077
Capital Projects/Replacements	684,459	-	-	684,459	928,172
<b>Total Fund Balances</b>	<b>798,603</b>	<b>629,594</b>	<b>2,600,962</b>	<b>4,029,159</b>	<b>4,253,691</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,109,855</b>	<b>\$ 665,646</b>	<b>\$ 2,698,403</b>	<b>\$ 4,473,904</b>	<b>\$ 4,581,916</b>

**Morgan County School District Re-3**  
**Combining Statement of Revenues and Expenditures and Changes in Fund Balances**  
**Nonmajor Funds**  
**For the Fiscal Year Ended June 30, 2023**

	June 30, 2023			June 30, 2022	
	Food Service Fund	Pupil Activity Fund	Bond Fund	Total Nonmajor Funds	Total Nonmajor Funds
Revenues					
Property Taxes	\$ -	\$ -	\$ 2,734,209	\$ 2,734,209	\$ -
Local Sources	318,124	-	-	318,124	2,862,139
State Sources	34,349	-	-	34,349	-
Federal Sources	1,662,594	-	-	1,662,594	-
School Meals	-	-	-	-	22,773
Federal Aid:					
Donated Commodities	-	-	-	-	137,902
School Breakfast Program	-	-	-	-	356,072
Other Food Service Grants	-	-	-	-	1,711,608
State Aid:					
Child Nutrition Match	-	-	-	-	14,835
Interest Income	27,841	3,438	48,271	79,550	9,786
Interfund Reimbursements	20,898	-	-	20,898	31,761
Fees	-	560,331	-	560,331	508,826
Other Revenue	9,609	-	3,231	12,840	5,327
<b>Total Revenues</b>	<b>2,073,415</b>	<b>563,769</b>	<b>2,785,711</b>	<b>5,422,895</b>	<b>5,661,029</b>
Expenditures:					
Current					
Supporting Services	-	567,193	-	567,193	476,616
Food Services	2,146,228	-	-	2,146,228	1,993,506
Non Capital Outlay	95,494	19,146	-	114,640	10,904
Capital Outlay	30,195	-	-	30,195	5,706
Debt Service					
Paying Agent Fees	-	-	6,249	6,249	6,000
Principal on Debt	-	-	1,935,000	1,935,000	2,545,000
Interest on Debt	-	-	847,922	847,922	620,325
<b>Total Expenditures</b>	<b>2,271,917</b>	<b>586,339</b>	<b>2,789,171</b>	<b>5,647,427</b>	<b>5,658,057</b>
Excess (Deficiency) of Revenues over Expenditures	(198,502)	(22,570)	(3,460)	(224,532)	2,972
Other Financing Sources:					
Transfers In	-	-	-	-	-
<b>Net Change in Fund Balance</b>	<b>(198,502)</b>	<b>(22,570)</b>	<b>(3,460)</b>	<b>(224,532)</b>	<b>2,972</b>
Beginning Fund Balance	997,105	652,164	2,604,422	4,253,691	4,250,719
<b>Ending Fund Balance</b>	<b>\$ 798,603</b>	<b>\$ 629,594</b>	<b>\$ 2,600,962</b>	<b>\$ 4,029,159</b>	<b>\$ 4,253,691</b>

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - Bond Redemption Fund**  
**For the Fiscal Year Ended June 30, 2023**

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	June 30, 2023			June 30, 2022	
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
Revenue:					
Local Property Tax	\$ 2,466,000	\$ 2,743,847	\$ 2,729,302	\$ (14,545)	\$ 2,862,139
Interest Income	18	42,000	53,178	11,178	8,128
Other	25	3,210	3,231	21	21
Total Revenue	<u>2,466,043</u>	<u>2,789,057</u>	<u>2,785,711</u>	<u>(3,346)</u>	<u>2,870,288</u>
Expenditures:					
Paying Agent Fees	-	-	6,249	(6,249)	6,000
Debt Service:					
Principal on Debt	1,922,000	1,920,000	1,935,000	(15,000)	2,545,000
Interest on Debt	543,304	817,347	847,922	(30,575)	620,325
Total Expenditures	<u>2,465,304</u>	<u>2,737,347</u>	<u>2,789,171</u>	<u>(51,824)</u>	<u>3,171,325</u>
Net Change in Fund Balance	739	51,710	(3,460)	(55,170)	(301,037)
Beginning Fund Balance	<u>2,604,422</u>	<u>2,604,422</u>	<u>2,604,422</u>	-	<u>2,905,459</u>
Ending Fund Balance	<u>\$ 2,605,161</u>	<u>\$ 2,656,132</u>	<u>\$ 2,600,962</u>	<u>\$ (55,170)</u>	<u>\$ 2,604,422</u>

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - Building Fund**  
**For the Fiscal Year Ended June 30, 2023**

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	June 30, 2023			June 30, 2022	
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
Revenues:					
Interest Income	\$ 8,500	\$ 225,000	\$ 368,921	\$ 143,921	\$ 23,346
State Grants	-	-	-	-	934,569
	<u>8,500</u>	<u>225,000</u>	<u>368,921</u>	<u>143,921</u>	<u>957,915</u>
Expenditures:					
Contracted Services	-	25,000	172	24,828	2,600
Capital Outlay - Building Improvements	1,600,000	1,700,000	25,966	1,674,034	3,034,983
Capital Outlay	-	23,441	-	23,441	77,479
Total Expenditures	<u>1,600,000</u>	<u>1,748,441</u>	<u>26,138</u>	<u>1,722,303</u>	<u>3,115,062</u>
Excess (Deficiency) of Revenues over Expenditures	(1,591,500)	(1,523,441)	342,783	1,866,224	(2,157,147)
Other Financing Sources (Uses):					
Payment to Refunded Capital Lease Escrow Agent	-	-	-	-	(2,962,033)
Capital Lease Paid	-	-	-	-	(3,954,578)
Bond Issuance Costs	-	-	-	-	(184,299)
Bond Proceeds and Premium	-	-	-	-	<u>14,820,910</u>
Net Change in Fund Balance	(1,591,500)	(1,523,441)	342,783	1,866,224	5,562,853
Beginning Fund Balance	<u>7,905,685</u>	<u>9,142,858</u>	<u>9,142,858</u>	<u>-</u>	<u>3,580,005</u>
Ending Fund Balance	<u>\$ 6,314,185</u>	<u>\$ 7,619,417</u>	<u>\$ 9,485,641</u>	<u>\$ 1,866,224</u>	<u>\$ 9,142,858</u>

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule – Food Service Fund**  
**For the Fiscal Year Ended June 30, 2023**

	June 30, 2023				June 30, 2022
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
Revenues					
School Meals	\$ 225,000	\$ 179,000	\$ 318,124	\$ (139,124)	\$ 22,773
Federal Aid:					
School Lunch Program	965,000	1,380,591	1,052,631	327,960	-
Donated Commodities	125,000	125,000	113,703	11,297	137,902
School Breakfast Program	240,000	298,000	257,974	40,026	356,072
Other Food Service Grants	415,500	240,000	238,286	1,714	1,711,608
State Aid:					
Child Nutrition Match	14,835	-	12,481	(12,481)	14,835
Start Smart	-	-	3,587	(3,587)	-
Colo Health Mini Grant	-	-	6,403	(6,403)	-
K-12 Reduced	-	-	11,878	(11,878)	-
Interest Income	600	15,000	27,841	(12,841)	1,454
Inter Fund Reimbursements	55,000	10,000	20,898	(10,898)	31,761
Other Revenue	6,100	-	9,609	(9,609)	5,306
<b>Total Revenues</b>	<b>2,047,035</b>	<b>2,247,591</b>	<b>2,073,415</b>	<b>(174,176)</b>	<b>2,281,711</b>
Expenditures					
Salaries	612,508	689,003	703,270	(14,267)	649,383
Employee Benefits	304,818	322,451	337,007	(14,556)	313,155
Repairs & Maintenance	5,000	20,000	34,791	(14,791)	1,238
Purchased Services	1,250	3,500	2,212	1,288	5,620
Travel	1,015	765	590	175	1,579
Supplies & Materials	58,250	84,250	30,926	53,324	58,499
Food Costs:					
Food and Milk	862,550	1,002,550	917,196	85,354	819,424
Commodities	120,500	120,500	113,703	6,797	137,902
Commodities Fees	8,000	4,500	3,909	591	4,487
Capital Equipment	-	29,400	30,195	(795)	5,706
Non Capital Equipment	6,150	-	95,494	(95,494)	4,363
Other	57,100	1,900	2,624	(724)	2,219
<b>Total Expenditures</b>	<b>2,037,141</b>	<b>2,278,819</b>	<b>2,271,917</b>	<b>6,902</b>	<b>2,003,575</b>
Net Change in Fund Balance	9,894	(31,228)	(198,502)	(167,274)	278,136
Beginning Fund Balance	439,023	997,105	997,105	-	718,969
Ending Fund Balance	<u>\$ 448,917</u>	<u>\$ 965,877</u>	<u>\$ 798,603</u>	<u>\$ (167,274)</u>	<u>\$ 997,105</u>

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule – Pupil Activity Fund**  
**For the Fiscal Year Ended June 30, 2023**

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	June 30, 2023			June 30, 2022	
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
Revenue:					
Interest Income	\$ -	\$ -	\$ 3,438	\$ 3,438	\$ 204
Fees	486,548	532,315	560,331	28,016	508,826
Total Revenue	<u>486,548</u>	<u>532,315</u>	<u>563,769</u>	<u>31,454</u>	<u>509,030</u>
Expenditures:					
Supporting Services	463,267	231,284	567,193	(335,909)	476,616
Non Capital Expenditures	12,700	19,625	19,146	479	6,541
Total Expenditures	<u>475,967</u>	<u>250,909</u>	<u>586,339</u>	<u>(335,430)</u>	<u>483,157</u>
Net Change in Fund Balance	10,581	281,406	(22,570)	(303,976)	25,873
Beginning Fund Balance	<u>652,167</u>	<u>652,164</u>	<u>652,164</u>	-	<u>626,291</u>
Ending Fund Balance	<u>\$ 662,748</u>	<u>\$ 933,570</u>	<u>\$ 629,594</u>	<u>\$ (303,976)</u>	<u>\$ 652,164</u>

**Morgan County School District Re-3**  
**Budgetary Comparison Schedule - Private-Purpose Trust Fund**  
**For the Fiscal Year Ended June 30, 2023**

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	June 30, 2023			June 30, 2022	
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
Additions:					
Contributions and Donations	\$ 205,000	\$ 205,000	\$ 321,550	\$ 116,550	\$ 226,750
Interest Income	-	-	873	873	623
Total Additions	<u>205,000</u>	<u>205,000</u>	<u>322,423</u>	<u>117,423</u>	<u>227,373</u>
Deductions:					
Bank fees	-	-	46	(46)	-
Scholarship Awards	<u>205,000</u>	<u>205,000</u>	<u>290,124</u>	<u>(85,124)</u>	<u>226,250</u>
Total Deductions	<u>205,000</u>	<u>205,000</u>	<u>290,170</u>	<u>(85,170)</u>	<u>226,250</u>
Change in Net Position	-	-	32,253	32,253	1,123
Beginning Net Position	<u>139,660</u>	<u>140,026</u>	<u>140,026</u>	-	<u>138,903</u>
Ending Net Position	<u>\$ 139,660</u>	<u>\$ 140,026</u>	<u>\$ 172,279</u>	<u>\$ 32,253</u>	<u>\$ 140,026</u>

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

Board of Education  
Morgan County School District Re-3

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morgan County School District Re-3 (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Morgan County School District Re-3's basic financial statements, and have issued our report thereon dated February 27, 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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Medford, Oregon  
February 27, 2024

# **Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Education  
Morgan County School District Re-3

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

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

We have audited Morgan County School District Re-3's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Morgan County School District Re-3's (the District) major federal programs for the year ended June 30, 2023. Morgan County School District Re-3'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, Morgan County School District Re-3 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, 2023.

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

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

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

### ***Responsibilities of Management for Compliance***

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

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

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

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

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

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

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

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

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

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

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

A handwritten signature in cursive script that reads "Moss Adams LLP".

Medford, Oregon  
February 27, 2024

**Morgan County School District Re-3**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2023**

**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 GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

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 and type of auditor's report issued on compliance for major federal programs:*

Assistance Listing number	Name of Federal Program or Cluster	Type of Auditor's Report Issued on Compliance for Major Federal Programs
84.425D, U, I	COVID-19 ESSER	Unmodified
10.555, 10.553, 10.556, 10.582, 10.559	Child Nutrition Cluster	Unmodified
84.010	Title I	Unmodified

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**

None reported.

**Section III - Federal Award Findings and Questioned Costs**

None reported.

**Morgan County School District Re-3**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-through Entity Grant Code	Expenditures	Pass-through to Subrecipients
<b>U.S. Department of Agriculture</b>				
Child Nutrition Cluster				
Passed through State Department of Human Services				
Food Donation	10.555	N/A	\$ 113,703	\$ -
Passed Through State Department of Education				
Federal Breakfast Program	10.553	4553	257,975	-
National School Lunch Program	10.555	4555	1,749,852	-
Special Milk Program	10.556	4556	24,540	-
Federal Fresh Fruits and Vegetables	10.582	4582	25,496	-
Summer Food Service Program for Children	10.559	4559	99,130	-
Supply Chain Assist	10.555	6555	81,232	-
Subtotal ALN 10.555			<u>1,944,787</u>	<u>-</u>
Subtotal Child Nutrition Cluster			2,351,928	-
SNAP CN Local P-EBT Administrative Funds Grant	10.649	4649	6,391	-
Passed Through State Department of Public Health & Environment				
Child and Adult Care Food Program	10.558	4558	13,954	-
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>2,372,273</u>	<u>-</u>
<b>U.S. Department of Treasury</b>				
Passed Through State Department of Education				
COVID-19 Coronavirus Relief Fund	21.019	4012	24,850	-
<b>Total U.S. DEPARTMENT OF TREASURY</b>			<u>24,850</u>	<u>-</u>
<b>U.S. Department of Education</b>				
Passed Through State Department of Education				
Title I	84.010	4010/9211	505,647	-
Title I	84.010	4010/9212	578	-
Total ALN 84.010			506,225	
COVID-19 ESSER III Set Aside	84.425U	9418	230,196	-
COVID-19 Boys and Girls Club	84.425U	4449	45,379	-
COVID-19 ESSER II EASI	84.425U	4431	473,407	-
Total ALN 84.425U			748,982	
COVID-19 ESSER III Set Aside	84.425D	4414	281,591	-
COVID-19 ESSER III Set Aside	84.425D	9414	165,833	
COVID-19 ESSER II	84.425D	4420	92,367	-
COVID-19 ESSER II Supplemental	84.425D	4419	114,536	-
Total ALN 84.425D			654,327	
COVID-19 ESSER III Set Aside	84.425I	4437	3,010	-
Total ALN 84.425I			3,010	-
Total ESSER			<u>1,406,319</u>	<u>-</u>

See notes to schedule of expenditures of federal awards.

**Morgan County School District Re-3**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-through Entity Grant Code	Expenditures	Pass-through to Subrecipients
Special Education Cluster				
Special Education - Grants to States	84.027	4027	685,505	-
Special Education - Preschool	84.173	4173	28,481	-
Subtotal Special Education Cluster			<u>713,986</u>	<u>-</u>
Migrant	84.011A	4011	92,387	
COVID-19 American Rescue Plan	84.434	4434	72,976	-
English Language Acquisition	84.365	4365/7365	79,315	-
Supporting Effective Instruction	84.367	4367	100,647	-
Student Support and Academic Enrichment Program	84.424	4424	34,484	-
Passed Through State Community College System				
Career and Technical Education	84.048	N/A	31,459	-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>3,037,798</u>	<u>-</u>
<b>U.S. Department of Health and Human Services</b>				
Direct Program				
CDC Nursing	93.354	7354	9,988	-
CCDF Cluster				
Child Care Stabilization	93.575	7575	53,492	-
Child Care Stabilization	93.575	7575	58,170	-
Total ALN 93.575 CCDF Cluster			<u>111,662</u>	<u>-</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>121,650</u>	<u>-</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u>\$ 5,556,571</u>	<u>\$ -</u>

See notes to schedule of expenditures of federal awards.

**Morgan County School District Re-3**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2023**

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**NOTE (1) Basis of Presentation and Significant Accounting Principles**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes all Federal grants to the District that had expenditures during the fiscal year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. This Schedule has been prepared on the modified accrual basis of accounting. Grant revenues are recorded when the District has met the qualifications for the respective grants. 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 or changes in financial position of the District.

**NOTE (2) Subrecipients**

For the year ended June 30, 2023, the District did not pass through any federal grant awards to subrecipients.

**NOTE (3) Indirect Cost Rate**

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

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

Commodities donated to the District by the U.S. Department of Agriculture (USDA) of \$113,703 are valued based on the USDA's Donated Commodity Price List. These are shown as part of the National School Lunch program ALN 10.555.



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 2405 - Fort Morgan Re-3  
 Fiscal Year 2022-23  
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
	+		-	=
<b>Governmental</b>				
10 General Fund	12,534,601	36,841,225	36,393,126	12,982,699
18 Risk Mgmt Sub-Fund of General Fund	308,485	514,652	884,768	338,369
19 Colorado Preschool Program Fund	153,758	765,773	937,971	-18,441
<b>Sub-Total</b>	<b>12,996,843</b>	<b>38,521,649</b>	<b>38,215,865</b>	<b>13,302,628</b>
11 Charter School Fund	0	0	0	0
26,26-29 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	957,105	2,052,517	2,251,015	798,603
22 Govt Designated-Purpose Grants Fund	303,302	1,748,536	1,719,855	331,983
23 Pupil Activity Special Revenue Fund	652,164	563,769	586,339	629,594
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	2,604,423	2,785,711	2,789,172	2,600,962
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	9,142,857	368,921	26,138	9,485,641
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const. Tech. Main Fund	0	0	0	0
<b>Totals</b>	<b>26,696,695</b>	<b>46,041,104</b>	<b>45,588,388</b>	<b>27,149,411</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	140,026	322,423	290,170	172,279
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
<b>Totals</b>	<b>140,026</b>	<b>322,423</b>	<b>290,170</b>	<b>172,279</b>

FINAL

2/21/24