



FORT MORGAN, COLORADO

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2025**

MORGAN COUNTY SCHOOL DISTRICT RE-3

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Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2025

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, 2025. 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, 2025 are as follows:

- The District's total net position increased by \$2,164,957 over the previous year net position. The majority of the increase is represented by a decrease in the District's Net pension liability and a reduction in outstanding bond debt from June 30, 2024.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$17,356,893 compared to \$26,459,033 at the close of the prior fiscal year.
- Total ending fund balances for the governmental funds at June 30, 2025 included \$12,190,774 for the General Fund; \$373,701 Federal Programs Fund; \$641,921 for the Building Fund \$2,858,458 for the Bond Redemption Fund. and \$1,292,039 in the District's nonmajor governmental funds which represent the District's Food Service Fund, Pupil Activity Fund.
- At June 30, 2025, the General Fund had \$138,186 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 \$436,841 for Mill Levy Override funds, \$796,976 assigned to Capital Replacements and \$350,962 restricted for Universal Preschool.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2025

Financial Highlights (continued)

- The General Fund identified assigned fund balances representing budgetary projects in the amount of \$796,976 and restricted \$436,841 representing capital projects. The remaining balance of \$8,967,809 is reported as unassigned fund balance.
- Governmental Activities general revenues accounted for \$42,617,797 in revenue or 74% 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 \$14,944,999 or 26% of total revenues of \$57,562,796.
- Total expenses were \$1,560,338 lower than revenues, which is reflected the increase in net position from the prior year.
- The District governmental activities had \$56,002,458 in expenses which included \$293,491 less in pension and other postemployment benefits and deferred inflows.
- The District has four governmental major funds - the General Fund, Federal Programs Fund, Bond Redemption Fund and the Building Fund.

At the end of FY 2024-2025, the fund balance of the General Fund was \$12,190,774. Of this total, \$8,967,809 was unassigned.

The Federal Programs Fund showed revenues in excess of expenditures of \$8,934 for an ending balance of \$373,701. The excess revenue was from interest earnings.

Bond Redemption Fund showed revenues in excess of expenditures of \$81,315 for an ending fund balance of \$2,858,458.

The Building Fund had an ending fund balance of \$641,921 representing unexpended bond proceeds and interest earned on those funds.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2025

Financial Highlights (continued)

The Food Service Fund and Pupil Activity Fund are the District's nonmajor governmental funds. The Food Service Fund showed revenues in excess of expenditures of \$97,068 for an ending fund balance of \$715,872. The Pupil Activity Fund showed expenditures in excess of revenues of \$49,374 for an ending balance of \$576,167.

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, 2025

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 4-5 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, Building Fund, and Bond Fund.
- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2025

District-Wide Financial Statements (continued)

Governmental funds: (continued)

Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds statements explains the relationship (or differences) between them.

- *Fiduciary funds:* The District is the agent, or fiduciary, for assets that belong to others, such as the education memorial, scholarship funds and pupil activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.
- *Notes to the Basic Financial Statements:* The notes provide additional information that is essential to a full understanding of the data provided in the district wide and fund financial statements. The notes to the financial statements can be found on pages 14-47 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 2025 as contained in the Statement of Net Position and compares that information to fiscal year 2024.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2025

Financial Analysis of the District as a Whole (continued)

As the table shows, total net position as of June 30, 2025 were:

Table 1
Condensed Statement of Net Position

	Total Government Wide		Total Dollar Change	Total Percentage Change
	2025	2024	Dollar	2025-2024
Assets				
Current Assets	\$ 24,168,179	\$ 34,097,808	(9,929,629)	(29.12%)
Net Capital Assets	74,493,956	64,972,843	9,521,113	14.65%
Total Assets	98,662,135	99,070,651	(408,516)	(0.41%)
Total Deferred Outflows of Resources	11,822,932	17,580,472	(5,757,540)	(32.75%)
Liabilities				
Other Liabilities	8,989,613	9,735,500	(745,887)	-7.66%
Long-Term Liabilities	82,332,600	89,618,573	(7,285,973)	(8.13%)
Total Liabilities	91,322,213	99,354,073	(8,031,860)	(8.08%)
Total Deferred Inflows of Resources	3,445,954	3,739,445	(293,491)	-7.85%
Net Position				
Invested in Capital Assets Net of Related Debt	49,893,141	42,159,779	7,733,362	18.34%
Restricted	5,788,182	10,950,161	(5,161,979)	-47.14%
Unrestricted	(39,964,423)	(39,557,997)	(406,426)	1.03%
Total Net Position	\$ 15,716,900	\$ 13,551,943	\$ 2,164,957	15.98%

Total net position of the District's governmental activities increased by \$1,560,338 for the fiscal year ended June 30, 2025. The majority of the increase is represented an increase in charges for services and operating grants and contributions.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Financial Analysis of the District as a Whole (continued)

Table 2
Changes in Net Position

	Total Governmental Activities		Total Dollar Change	Total Percentage Change
	2025	2024	2024-2025	2024-2025
Revenues				
Program Revenues				
Charges for Services	\$ 847,327	\$ 344,096	\$ 503,231	146.25%
Operating Grants & Contributions	14,097,672	11,971,685	2,125,987	17.76%
Capital Grants & Contributions		-	-	
General Revenues				
Property Taxes	13,955,842	14,013,195	(57,353)	-0.41%
State Revenue	27,319,225	24,529,234	2,789,991	11.37%
Miscellaneous	264,010	621,945	(357,935)	(57.55%)
Insurance Proceeds	95,149	1,649,466	(1,554,317)	100.00%
Interest Income	983,571	1,245,266	(261,695)	(21.02%)
Total Revenues	57,562,796	54,374,887	3,187,909	5.86%
Expenses				
Instruction	27,127,070	26,486,805	640,265	2.42%
Supporting Services	25,271,728	21,976,219	3,295,509	15.00%
Food Services	2,936,100	2,678,737	257,363	9.61%
Interest	667,560	622,600	44,960	7.22%
Total Expenses	56,002,458	51,764,361	4,238,097	8.19%
 Change In Net Position	 \$ 1,560,338	 \$ 2,610,526	 \$ (1,050,188)	 (40.23%)

Note: The District had to restate the beginning net position related to a correction of an error in the amount of \$604,619. See note 11 in the notes to the financial statements.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Financial Analysis of the District as a Whole (continued)

Governmental Activities

The Statement of Activities on page 5 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

	2025	2024	Total Dollar Change	Total Percent Change
Instruction	\$ (20,431,645)	\$ (24,632,383)	\$ 4,200,738	17.05%
Support Services	(20,174,225)	(14,031,896)	(6,142,329)	(43.77%)
Food Services	215,971	(161,701)	377,672	233.56%
Interest on Long-Term Debt	(667,560)	(622,600)	(44,960)	(7.22%)
Total Expenses	<u><u>\$ (41,057,459)</u></u>	<u><u>\$ (39,448,580)</u></u>	<u><u>\$ (1,608,879)</u></u>	<u><u>(4.08%)</u></u>

Changes in Fund Balance 2025 to 2024

The following tables (4 through 9) demonstrate a comparison in the changes in fund balances from the 2024 fiscal year to the current 2025 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 48-51.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Changes in Fund Balance: 2025 to 2024 (continued)

Table 4: General Department

	2025	2024	Total Dollar Change	Total Percent Change
Revenues:				
Property Taxes	\$ 9,598,076	\$ 9,437,034	\$ 161,042	1.71%
Specific Ownership Taxes	1,061,116	1,200,709	(139,593)	(11.63%)
Intergovernmental	4,368,309	6,234,973	(1,866,664)	(29.94%)
State Equalization	27,319,224	24,529,234	2,789,990	11.37%
Other	1,368,938	915,520	453,418	49.53%
Total Revenues	<u>43,715,663</u>	<u>42,317,470</u>	<u>1,398,193</u>	<u>3.30%</u>
Expenditures:				
Salaries	25,216,582	24,046,133	1,170,449	4.87%
Benefits	10,287,181	9,281,988	1,005,193	10.83%
Purchased Services	3,163,142	2,996,386	166,756	5.57%
Supplies/Materials	1,968,903	2,144,971	(176,068)	(8.21%)
Capital Outlay	3,436,490	4,534,578	(1,098,088)	(24.22%)
Other (net of indirect cost reimbursement)	503,725	290,685	213,040	73.29%
Total Expenditures	<u>44,576,023</u>	<u>43,294,741</u>	<u>1,281,282</u>	<u>2.96%</u>
Excess of Revenues over Expenditures	(860,360)	(977,271)	116,911	(11.96%)
Allocations, Transfers and Capital Lease	<u>(780,645)</u>	<u>1,887,734</u>	<u>(2,668,379)</u>	<u>-141.35%</u>
Net Change in Fund Balances	<u>\$ (1,641,005)</u>	<u>\$ 910,463</u>	<u>\$ (2,551,468)</u>	<u>(280.24%)</u>

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Changes in Fund Balance: 2025 to 2024 (continued)

Table 5: Mill Levy Department

	2025	2024	Total Dollar Change	Total Percent Change
Revenues:				
Property Taxes	\$ 542,490	\$ 548,812	\$ (6,322)	(1.15%)
Other	8,220	20,513	(12,293)	(59.93%)
Total Revenues	550,710	569,325	(18,615)	(3.27%)
Expenditures:				
Instruction & Supporting Services	253,922	382,442	(128,520)	(33.61%)
Capital Outlay	277,302	472,122	(194,820)	(41.26%)
Total Expenditures	531,224	854,564	(323,340)	(37.84%)
Net Change in Fund Balances	\$ 19,486	\$ (285,239)	\$ 304,725	(106.83%)

Table 6: Daycare Department

	2025	2024	Total Dollar Change	Total Percent Change
Revenues:				
Local Sources	\$ 444,307	\$ 350,986	\$ 93,321	26.59%
Other	63,178	95,079	(31,901)	(33.55%)
Total Revenues	507,485	446,065	61,420	13.77%
Expenditures:				
Supporting Services	542,914	563,364	(20,450)	(3.63%)
Capital Outlay	1,803	106	1,697	100.00%
Total Expenditures	544,717	563,470	(18,753)	
Excess Revenues over Expenditures	(37,232)	(117,405)	80,173	(68.29%)
Allocations and Transfers	45,000	75,000	(30,000)	100.00%
Net Change in Fund Balances	\$ 7,768	\$ (42,405)	\$ 50,173	(118.32%)

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Changes in Fund Balance: 2025 to 2024 (continued)

Table 7: Capital Reserve Department

	2025	2024	Dollar Change	Percent Change
Revenues:				
Intergovernmental	\$ -	\$ 12,293	\$ (12,293)	(100.00%)
Other	578	10,588	(10,010)	(94.54%)
Total Revenues	578	22,881	(22,303)	(97.47%)
Expenditures:				
Instruction	-	-	-	0.00%
Supporting Services	-	28,066	(28,066)	100.00%
Noncapital Outlay	120,944	122,841	(1,897)	(1.54%)
Capital Outlay	401,600	215,447	186,153	86.40%
Total Expenditures	522,544	366,354	156,190	42.63%
Excess of Expenditures over Revenues	(521,966)	(343,473)	(178,493)	51.97%
Allocations and Transfers	519,000	519,000	-	0.00%
Net Change in Fund Balances	\$ (2,966)	\$ 175,527	\$ (178,493)	(101.69%)

Table 8: Insurance Department

	2025	2024	Dollar Change	Percent Change
Revenues:				
Other Revenue		\$ -	\$ -	100.00%
Investment Earnings	\$ 27,612	1,917	25,695	1340.38%
Total Revenues	27,612	1,917	25,695	1340.38%
Expenditures:				
Supporting Services	1,014,924	921,681	93,243	10.12%
Capital Outlay	1,500,000		1,500,000	100.00%
Total Expenditures	2,514,924	921,681	1,593,243	172.86%
Excess of Revenues over Expenditures	(2,487,312)	(919,764)	(1,567,548)	170.43%
Other Financing Sources				
Insurance Proceeds	6,112	1,649,466	(1,643,354)	
Allocations and Transfers	1,050,000	1,008,000	42,000	4.17%
Total Other Financing Sources	1,056,112	2,657,466	(1,601,354)	(60.26%)
Net Change in Fund Balances	\$ (1,431,200)	\$ 1,737,702	\$ (3,168,902)	(182.36%)

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Changes in Fund Balance: 2025 to 2024 (continued)

Table 9: Preschool Department

	<u>2025</u>	<u>2024</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues:				
Interest Income	\$ 63	\$ 68	\$ (5)	(7.35%)
Intergovernmental	961,431	1,004,091	(42,660)	100.00%
Local Sources	-	-	-	
Total Revenues	<u>961,494</u>	<u>1,004,159</u>	<u>(42,665)</u>	<u>(4.25%)</u>
Expenditures:				
Instruction	894,841	802,922	91,919	11.45%
Supporting Services		14,816	(14,816)	(100.00%)
Capital Outlay	-	3,250	(3,250)	(100.00%)
Total Expenditures	<u>894,841</u>	<u>820,988</u>	<u>73,853</u>	<u>9.00%</u>
Excess of Revenues over Expenditures	66,653	183,171	(116,518)	(63.61%)
Allocations and Transfers	-	-	-	
Net Change in Fund Balances	<u>\$ 66,653</u>	<u>\$ 183,171</u>	<u>\$ (116,518)</u>	<u>(63.61%)</u>

The overall change in the six departments of the General Fund was a \$2,981,265 decrease in fund balance. The General Department (Table 4) reflected an increase in total program funding which consisted of a \$2,789,990 increase in state equalization and a \$21,449 increase in property and specific ownership tax. Intergovernmental revenue reflected a decrease of \$1,866,664. Other revenue increased \$453,418. The overall increased funding along with an increase in expenditures of \$1,281,282 and an increase in allocations over capital lease proceeds created a decrease in ending fund balance.

The Preschool Department (Table 9) reflected an increase in instructional salaries and related benefits . The Program had a decrease in funding of \$42,660. This is the second year for UPK direct funding.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2025

Financial Analysis of the District's Funds

Table 10
Governmental Fund Balances

	2025	2024	Dollar Change	Percent Change
General	\$ 12,190,774	\$ 15,981,847	\$ (3,791,073)	(23.72%)
Federal Programs	373,701	364,767	8,934	2.45%
Building Fund	641,921	6,090,932	(5,449,011)	(89.46%)
Bond Redemption Fund	2,858,458			
Nonmajor Funds	1,292,039	4,021,488	(2,729,449)	(67.87%)
Total	<u>\$ 17,356,893</u>	<u>\$ 26,459,034</u>	<u>\$ (11,960,599)</u>	<u>(45.20%)</u>

The material change from above was generated from the General Fund, Federal Programs Fund and the Building Fund with fund balance increases and decreases with a net decrease of \$(9,110,943). This was largely due to spending bond funds for Legion Field Construction and HVAC expenditures recognized this fiscal year with the financed purchase proceeds recognized in the prior year.

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 2024-2025 revenue was \$1,647,202 lower than the final budgeted projections excluding inter-department allocations. This resulted from BEST grant funds being recorded in the Building Fund rather than General Fund as originally anticipated. Total General Fund actual expenditures and transfers were \$11,224,172 lower than the final budgeted expenditures. The budgeted savings were mainly accounted for in the General Fund decrease in expenditures for capital expenditures accounted for in the Building Fund.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Financial Analysis of the District's Funds

Of the total expenditures, Instructional expenditures were 0.02% (\$1,276,532) 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.

Supporting Services and transfers were lower higher than final budget which amounted to \$1,806,997. The majority of this amount was due to the recording of planned capital expenditures in the General Fund being recorded in the Building Fund. This was done because of the BEST grant portion of the expenditures needing to be recorded in the Building Fund. The District's total program funding comes from State equalization funding. 47.46% of the District's total program funding comes from State equalization funding \$27,319,224, which is a \$2,789,991 increase from 2023-2024.

Capital Assets and Debt Administration

The District had a net change of \$8,112,349 in capital assets in 2024-2025 which included \$13,957,012 of construction in process at June 30, 2025. There was an increase in the assets being depreciated total of \$6,093,805. The District's SBITAs had an addition of \$97,734 and a deletion of \$163,085.

Long-Term Debt

At June 30, 2025 the District had \$26,975,565 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 \$440,964 in long-term obligations includes compensated absences recorded by the District at year end and SBITA liability which was zero which was a decrease from the prior year.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2025

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

Table 12
Long-Term Debt
Year End

	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>Percent Change</u>
General Obligation Bonds	\$ 21,505,000	\$ 23,490,000	\$ (1,985,000)	(8.45%)
Bond Premium	1,627,447	1,830,129	(202,682)	(11.07%)
Financed Purchase	3,843,118	3,352,021	491,097	14.65%
Compensated Absences	440,964	376,342	64,622	17.17%
Total	<u>\$ 27,416,529</u>	<u>\$ 29,048,492</u>	<u>\$ (1,631,963)</u>	<u>(5.62%)</u>

Further information for capital assets and long-term debt is available in notes 6, 7 and 8 in the financial statements.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2025

Factors Bearing on the District's Future

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

The District's contribution to the PERA retirement plan were 21.4% for 2024-2025. Future increases are tied to the ongoing funding status of the retirement plan. The District has its health insurance with CEBT and are estimating no more than a 6% increase for the next year.

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

Contacting the District's Financial Management

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Morgan County School District RE-3 (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Emphasis of Matter

As described in Note 11 to the financial statements, the financial statements as of and for the year ended June 30, 2024, have been restated for a correction of an error. Our opinion is not modified with respect to this matter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual fund statements and budgetary comparison schedules, schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the auditor's integrity report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the auditor's 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 January 16, 2026, 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 controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

DMC Auditing and Consulting, LLC

January 16, 2026
Bailey, Colorado

BASIC FINANCIAL STATEMENTS

MORGAN COUNTY SCHOOL DISTRICT RE-3**STATEMENT OF NET POSITION**

June 30, 2025

	<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and Investments	\$ 20,733,684
Taxes Receivable	883,332
Grants Receivable	2,183,044
Accounts Receivable	114,819
Inventories	209,501
Prepaid Expenses	43,799
Capital Assets, <i>Not Being Depreciated</i>	14,279,569
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>60,214,387</u>
TOTAL ASSETS	<u>98,662,135</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions, <i>Net of Accumulated Amortization</i>	11,626,635
OPEB, <i>Net of Accumulated Amortization</i>	<u>196,297</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>11,822,932</u>
LIABILITIES	
Accounts Payable	804,638
Retainage Payable	506,822
Accrued Salaries and Benefits	4,748,518
Unearned Revenue	414,889
Accrued Interest Payable	69,998
Noncurrent Liabilities	
Due Within One Year	2,444,748
Due in More Than One Year	24,971,781
Net Pension Liability	56,360,847
Net OPEB Liability	<u>999,972</u>
TOTAL LIABILITIES	<u>91,322,213</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions, <i>Net of Accumulated Amortization</i>	2,853,935
OPEB, <i>Net of Accumulated Amortization</i>	<u>592,019</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,445,954</u>
NET POSITION	
Net Investment in Capital Assets	49,893,141
Restricted for:	
Universal Preschool Program	350,962
Debt Service	2,858,458
Emergencies	1,500,000
Mill Levy - Capital and Maintenance	436,841
Capital Construction	641,921
Unrestricted	<u>(39,964,423)</u>
TOTAL NET POSITION	<u>\$ 15,716,900</u>

MORGAN COUNTY SCHOOL DISTRICT RE-3
STATEMENT OF ACTIVITIES
Year Ended June 30, 2025

					NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION
					PRIMARY
					GOVERNMENT
FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT					
Governmental Activities					
Instruction	\$ 27,127,070	\$ 311,166	\$ 6,384,259	\$ -	\$ (20,431,645)
Supporting Services	25,271,728	468,119	1,278,233	3,351,151	(20,174,225)
Food Services	2,936,100	68,042	3,084,029	-	215,971
Interest on Long-Term Debt	667,560	-	-	-	(667,560)
TOTAL PRIMARY GOVERNMENT	\$ 56,002,458	\$ 847,327	\$ 10,746,521	\$ 3,351,151	(41,057,459)
GENERAL REVENUES					
Local Property Taxes					12,894,726
Specific Ownership Taxes					1,061,116
State Equalization					27,319,225
Grants and Contributions not Restricted to Specific Programs					5,117
Forest Reserve					43,669
Investment Income					983,571
Insurance Proceeds					95,149
Gain (Loss) on Disposal of Assets					215,224
TOTAL GENERAL REVENUES					42,617,797
CHANGE IN NET POSITION					1,560,338
NET POSITION, Beginning, as Originally Stated					13,551,943
Restatement - Correction of an Error					604,619
NET POSITION, Beginning, as Restated					14,156,562
NET POSITION, Ending					\$ 15,716,900

See Notes to the Financial Statements.

MORGAN COUNTY SCHOOL DISTRICT RE-3
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	<u>GENERAL</u>	<u>GRANTS</u>	<u>BUILDING</u>
ASSETS			
Cash and Investments	\$ 14,130,608	\$ 835,117	\$ 2,074,216
Taxes Receivable	737,939	-	-
Grants Receivable	756,957	205,098	788,751
Accounts Receivable	111,496	1,031	-
Inventories	100,527	-	-
Prepaid Expenditures	37,659	6,140	-
Interfund Receivables	<u>1,802,315</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 17,677,501</u></u>	<u><u>\$ 1,047,386</u></u>	<u><u>\$ 2,862,967</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 379,965	\$ 7,762	\$ 335,185
Retainage Payable	-	-	506,822
Accrued Salaries and Benefits	4,448,529	176,933	-
Interfund Payables	372,496	103,507	1,379,039
Unearned Revenue	<u>26,378</u>	<u>385,483</u>	<u>-</u>
TOTAL LIABILITIES	<u>5,227,368</u>	<u>673,685</u>	<u>2,221,046</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	<u>259,359</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable:			
Inventories	100,527	-	-
Prepaid Expenditures	37,659	6,140	-
Restricted for:			
Universal Preschool Program	350,962	-	-
Debt Service	-	-	-
Emergencies	1,500,000	-	-
Mill Levy - Capital and Maintenance	436,841	-	-
Capital Construction	-	-	641,921
Assigned to:			
Food Services	-	-	-
Student Activities	-	-	-
Capital Reserve	796,976	-	-
Unassigned	<u>8,967,809</u>	<u>367,561</u>	<u>-</u>
TOTAL FUND BALANCES	<u>12,190,774</u>	<u>373,701</u>	<u>641,921</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 17,677,501</u></u>	<u><u>\$ 1,047,386</u></u>	<u><u>\$ 2,862,967</u></u>

	NONMAJOR GOVERNMENTAL FUNDS	
BOND		TOTAL
\$ 2,774,893	\$ 918,850	\$ 20,733,684
145,393	-	883,332
-	432,238	2,183,044
-	2,292	114,819
-	108,974	209,501
-	-	43,799
15,232	280,277	2,097,824
<u>\$ 2,935,518</u>	<u>\$ 1,742,631</u>	<u>\$ 26,266,003</u>

\$ -	\$ 81,726	\$ 804,638
-	-	506,822
-	123,056	4,748,518
-	242,782	2,097,824
-	3,028	414,889
<u>-</u>	<u>450,592</u>	<u>8,572,691</u>
<u>77,060</u>	<u>-</u>	<u>336,419</u>

-	108,974	209,501
-	-	43,799
-	-	350,962
2,858,458	-	2,858,458
-	-	1,500,000
-	-	436,841
-	-	641,921
-	606,898	606,898
-	576,167	576,167
-	-	796,976
-	-	9,335,370
<u>2,858,458</u>	<u>1,292,039</u>	<u>17,356,893</u>
<u>\$ 2,935,518</u>	<u>\$ 1,742,631</u>	<u>\$ 26,266,003</u>

MORGAN COUNTY SCHOOL DISTRICT RE-3
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2025

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

Total Fund Balances of Governmental Funds	\$ 17,356,893
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	74,493,956
Long-term assets are not available to pay current year expenditures and, therefore, are deferred in governmental funds. This amount represents property taxes earned but not available as current financial resources.	336,419
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:	
Bond Premium	(1,627,447)
Financed Purchase Payable	(3,458,370)
Accrued Interest Payable	(69,998)
Bonds Payable	(19,445,000)
Accrued Compensated Absences	(2,885,712)
Net Pension Liability	(56,360,847)
Pension-Related Deferred Outflows of Resources	11,626,635
Pension-Related Deferred Inflows of Resources	(2,853,935)
Net OPEB Liability	(999,972)
OPEB-Related Deferred Outflows of Resources	196,297
OPEB-Related Deferred Inflows of Resources	(592,019)
Total Net Position of Governmental Activities	\$ <u><u>15,716,900</u></u>

MORGAN COUNTY SCHOOL DISTRICT RE-3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2025

	<u>GENERAL</u>	<u>GRANTS</u>	<u>BUILDING</u>
REVENUES			
Local Sources	\$ 12,360,363	\$ 74,565	\$ 176,084
County Sources	9,882	-	-
State Sources	32,230,052	530,280	3,341,269
Federal Sources	<u>1,163,245</u>	<u>1,066,879</u>	<u>-</u>
 TOTAL REVENUES	 <u>45,763,542</u>	 <u>1,671,724</u>	 <u>3,517,353</u>
EXPENDITURES			
Current			
Instruction	24,917,371	651,923	-
Supporting Services	19,939,647	977,314	-
Food Services	-	-	-
Capital Outlay	4,240,114	33,553	9,055,401
Debt Service			
Principal	342,259	-	-
Interest and Fiscal Charges	<u>144,883</u>	<u>-</u>	<u>-</u>
 TOTAL EXPENDITURES	 <u>49,584,274</u>	 <u>1,662,790</u>	 <u>9,055,401</u>
 EXCESS REVENUES OVER (UNDER) EXPENDITURES	 <u>(3,820,732)</u>	 <u>8,934</u>	 <u>(5,538,048)</u>
OTHER FINANCING SOURCES (USES)			
Financed Purchase Proceeds	833,355	-	-
Insurance Proceeds	<u>6,112</u>	<u>-</u>	<u>89,037</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>839,467</u>	 <u>-</u>	 <u>89,037</u>
 CHANGES IN FUND BALANCES	 (2,981,265)	 8,934	 (5,449,011)
FUND BALANCES, Beginning, as Originally Stated	15,981,846	364,767	6,090,932
Reclassification - Nonmajor to Major	-	-	-
Restatement - Correction of an Error	<u>(809,807)</u>	<u>-</u>	<u>-</u>
 FUND BALANCES, Beginning, as Restated	 <u>15,172,039</u>	 <u>364,767</u>	 <u>6,090,932</u>
 FUND BALANCES, Ending	 <u>\$ 12,190,774</u>	 <u>\$ 373,701</u>	 <u>\$ 641,921</u>

	NONMAJOR GOVERNMENTAL FUNDS	
BOND		TOTAL
\$ 2,783,730	\$ 554,865	\$ 15,949,607
-	-	9,882
-	337,645	36,439,246
-	2,746,384	4,976,508
<u>2,783,730</u>	<u>3,638,894</u>	<u>57,375,243</u>
-	494,889	26,064,183
-	19,716	20,936,677
-	2,934,839	2,934,839
-	141,756	13,470,824
1,985,000	-	2,327,259
717,415	-	862,298
<u>2,702,415</u>	<u>3,591,200</u>	<u>66,596,080</u>
<u>81,315</u>	<u>47,694</u>	<u>(9,220,837)</u>
-	-	833,355
-	-	95,149
-	-	928,504
81,315	47,694	(8,292,333)
-	4,021,488	26,459,033
2,777,143	(2,777,143)	-
-	-	(809,807)
<u>2,777,143</u>	<u>1,244,345</u>	<u>25,649,226</u>
<u>\$ 2,858,458</u>	<u>\$ 1,292,039</u>	<u>\$ 17,356,893</u>

MORGAN COUNTY SCHOOL DISTRICT RE-3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2025

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Net Change in Fund Balances of Governmental Funds	\$ (8,292,333)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as follows:

Depreciation Expense	(3,604,489)
Capital Outlay	11,716,838

Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized in the government-wide financial statements. This amount represents the change in deferred property taxes.	92,404
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The repayment of long-term debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activities.	2,327,259
--	-----------

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. This is the effect of these differences in the treatment of long-term debt and related items as follows:	
Financed Purchase Proceeds	(833,355)
Amortization of Bond Premiums	202,682

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the changes in the following:

Accrued Interest Payable	(7,944)
Accrued Compensated Absences	(64,622)
Net Pension Liability	5,006,107
Pension-Related Deferred Outflows of Resources	(5,705,612)
Pension-Related Deferred Inflows of Resources	310,367
Net OPEB Liability	(424,829)
OPEB-Related Deferred Outflows of Resources	(51,928)
OPEB-Related Deferred Inflows of Resources	889,793

Change in Net Position of Governmental Activities	\$ <u>1,560,338</u>
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MORGAN COUNTY SCHOOL DISTRICT RE-3
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2025

	<u>SCHOLARSHIP TRUST FUND</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>161,443</u>
NET POSITION	
Unrestricted	\$ <u><u>161,443</u></u>

MORGAN COUNTY SCHOOL DISTRICT RE-3
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
Year Ended June 30, 2025

	<u>SCHOLARSHIP TRUST FUND</u>
ADDITIONS	
Contributions and Donations	\$ <u>363,876</u>
DEDUCTIONS	
Scholarship Awards	<u>367,050</u>
CHANGE IN NET POSITION	(3,174)
NET POSITION, Beginning	<u>160,868</u>
NET POSITION, Ending	\$ <u><u>157,694</u></u>

MORGAN COUNTY SCHOOL DISTRICT RE-3

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

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.

The financial statements of the District do not include any separately administered organizations.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these financial statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which are supported by taxes and intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or other customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the governmental funds and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and other significant funds identified by management are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the fund financial statements, the District reports the following major governmental funds:

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).

MORGAN COUNTY SCHOOL DISTRICT RE-3

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The *Grants Fund* is used to account for restricted state and federal grants which must be expended as designated by the grantor agency.

The *Building Fund* was created to account for the proceeds from the District's voter approved 2015, 2021, and 2022 bond issues and the related construction expenditures for major infrastructure improvements at three of the District's elementary schools, secure access improvements at all District schools, the construction of a new Middle School, renovations at the High School and improvements to Legion Field. The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Additionally, the District reports the following fund type:

Fiduciary Funds account for assets held by the District as an agent for individuals, private organizations, and other governments. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The fiduciary fund reported by the District is a private-purpose trust fund.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current year. The District considers all other revenues to be available if they are collected within 180 days of the end of the current year.

Taxes, intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance / Net Position

Cash and Investments – The District utilizes the pooled cash concept whereby cash balances of each of the District's funds are pooled and invested by the District. Investments are reported at fair value.

For purposes of the statement of fiduciary net position, cash equivalents include investments with original maturities of three months or less.

MORGAN COUNTY SCHOOL DISTRICT RE-3

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance / Net Position (Continued)

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Property taxes levied for the current year but not received at year end are reported as taxes receivable and are presented net of an allowance for uncollectible taxes.

Interfund Receivables and Payables - Certain transactions between individual funds result in receivables and payables, which are classified on the balance sheet as *interfund receivables* and *interfund payables*.

Inventories - Food Service Fund inventories are recorded as an asset when individual items are purchased and as an expenditure when consumed. Inventories are stated at cost on a first-in, first-out (FIFO) basis, and consist of purchased and donated commodities. Purchased inventories are recorded at cost. Donated inventories, received at no cost under a program supported by the federal government, are valued at the cost furnished by the federal government.

Prepaid Expenditures – Certain payments to vendors reflect costs applicable to future years and reported as prepaid expenditures or prepaid expenses using the consumption method.

Capital Assets - Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	7 - 50 years
Equipment	5 - 20 years
Vehicles	8 years

Deferred Outflows of Resources - This separate financial statement element represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources until then.

Accrued Salaries and Benefits - Salaries and retirement 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 nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability in the financial statements.

Unearned Revenue – Unearned revenues include grants that have been collected but the corresponding expenditures have not been incurred and the eligibility criteria have not been met.

Deferred Inflows of Resources – This separate financial statement element represents an acquisition of net assets by the District that is applicable to a future reporting period. Deferred inflows of resources in the governmental fund financial statements include property taxes earned but not available as current financial resources.

MORGAN COUNTY SCHOOL DISTRICT RE-3

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance / Net Position (Continued)

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts and accounting losses resulting from debt refundings are deferred and amortized over the life of the debt using the effective interest method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Debt issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Compensated Absences – All personnel accrue paid time off depending on their years of experience with the District. Any employee who has at least 20 years of experience with the District or has reached the age of 65, is eligible for a payout of unused leave upon separation. This payout is calculated for eligible employees and recorded as compensated absences. Based on a last-in, first-out analysis of the District's leave usage, it was determined that no changes were required regarding leave accrued for staff who do not meet those eligibility thresholds.

These compensated absences are recognized as expenditures in the governmental funds when due. A long-term liability is reported in the government-wide financial statements for the accrued compensated absences when earned.

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. Investments are reported at fair value.

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

Net Position/Fund Balances - In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. In the fund financial statements, governmental funds report committed fund balances when the Board of Education formally commits resources for a specific purpose through passage of a resolution. The Board of Education has delegated to the Superintendent and his designee the authority to assign fund balances to be used for specific purposes.

MORGAN COUNTY SCHOOL DISTRICT RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 1: Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance / Net Position (Continued)

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, District policy requires restricted fund balance to be used first, followed by committed, assigned, and unassigned balances.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and are collected in the subsequent calendar year. Taxes are payable in full on April 30, or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the District on a monthly basis. When taxes become delinquent, the property is sold on the tax sale date.

NOTE 2: Cash and Investments

At June 30, 2025, the District had the following cash and investments:

Cash on Hand	\$ 2,940
Deposits	5,538,661
Investments	15,353,526
Total	<u>\$ 20,895,127</u>

Cash and investments are reported in the financial statements as follows:

Cash and Investments	\$ 15,884,576
Restricted Investments	4,849,108
Fiduciary Funds	161,443
Total	<u>\$ 20,895,127</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2025, the District had bank deposits of \$5,275,161 collateralized with securities held by the financial institution's agent but not in the District's name.

Investments

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities

MORGAN COUNTY SCHOOL DISTRICT RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 2: Cash and Investments (Continued)

Investments (Continued)

- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Fair Value Measurements - At June 30, 2025, the District's investments in the local government investment pool reported at the net asset value per share.

The fair value measurements are categorized by the fair value hierarchy. Valuation inputs are used to measure the fair value of the asset to determine the appropriate category. The categories range from Level 1, which is the highest priority, to Level 3, which is the lower priority and are based on the following criteria:

Level 1 – Unadjusted quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in the active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are observable.

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years from the date of purchase unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations (NRSROs).

Concentration of Credit Risk - State statutes do not limit the amount the District may invest in a single issuer of investment securities, except for corporate securities.

Local Government Investment Pools – At June 30, 2025, the District had \$5,348,136 invested in the Colorado Surplus Asset Fund Trust (CSAFE) and \$9,933,937, invested in the Colorado Local Government Liquid Asset Trust (ColoTrust), investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Pools. The Pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7. The Pools are reported at the net asset value per share, with each share valued at \$1. The Pools are rated AAAM by Standard and Poor's. Investments of the Pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

MORGAN COUNTY SCHOOL DISTRICT RE-3**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

NOTE 2: Cash and Investments (Continued)**Investments (Continued)**

Federated Government Obligation Money Market Fund – At June 30, 2025, the government held investments in the Federated Government Obligations Money Market Fund, which is an open-ended money market mutual fund structured to maintain a stable net asset value (NAV) of \$1 per share. The Fund invests primarily in U.S. Treasury securities, government agency obligations, and repurchase agreements collateralized by such securities. The money market mutual fund is rated AAAM by Standard & Poor's.

NOTE 3: Interfund Balances and Transfers

Interfund balances result from a time lag between the dates interfund goods and services are provided or reimbursable expenditures occur and payments between funds occur. At June 30, 2025, interfund receivables and payables consist of the following:

Fund	Interfund Receivables	Interfund Payables
General Fund		
General Fund Department	\$ 1,780,218	\$ 267,127
Mill Levy Maintenance	1,324	-
Daycare	-	53,466
Capital Reserve	20,773	-
Preschool	-	51,903
Total General Fund	\$ 1,802,315	\$ 372,496
Grants Fund	-	103,507
Bond Fund	15,232	-
Building Fund	-	1,379,039
Food Service Fund	-	190,070
Student Activity Fund	280,277	52,712
Total	\$ 2,097,824	\$ 2,097,824

NOTE 4: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District participates in the Colorado School Districts Self Insurance Pool for all risks of loss except workers' compensation, for which it utilizes a commercial insurance carrier.

The Colorado School Districts Self Insurance Pool (CSDSIP) 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 governing board. The District pays an annual premium to the CSDSIP for various types of property and liability insurance coverage. The CSDSIP's agreement provides that 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.

MORGAN COUNTY SCHOOL DISTRICT RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 5: Capital Assets

Capital asset activity for the year ended June 30, 2025, is summarized below.

	Restated Balances 6/30/2024	Additions	Deletions	Balances 6/30/2025
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land and Water Rights	\$ 322,557	\$ -	\$ -	\$ 322,557
Construction in Progress	8,518,415	9,843,583	4,404,986	13,957,012
Total Capital Assets, Not Being Depreciated	<u>322,557</u>	<u>9,843,583</u>	<u>4,404,986</u>	<u>14,279,569</u>
Capital Assets, Being Depreciated:				
Right-to-Use Asset - SBITAs	801,651	169,488	21,351	949,788
Buildings and Improvements	96,625,698	4,586,746	-	101,212,444
Furniture and Equipment	7,030,891	1,424,273	-	8,455,164
Vehicles	3,566,031	97,734	163,085	3,500,680
Total Capital Assets, Being Depreciated	<u>108,024,271</u>	<u>6,278,241</u>	<u>184,436</u>	<u>114,118,076</u>
Less Accumulated Depreciation:				
Right-to-Use Asset - SBITAs	(234,474)	(167,662)	(21,351)	(380,785)
Buildings and Improvements	(42,776,090)	(2,811,816)	-	(45,587,906)
Furniture and Equipment	(4,787,826)	(385,535)	-	(5,173,361)
Vehicles	(2,685,246)	(239,476)	(163,085)	(2,761,637)
Total Accumulated Depreciation	<u>(50,483,636)</u>	<u>(3,604,489)</u>	<u>(184,436)</u>	<u>(53,903,689)</u>
Total Capital Assets, Being Depreciated, Net	<u>57,540,635</u>	<u>2,673,752</u>	<u>-</u>	<u>60,214,387</u>
Governmental Activities Capital Assets, Net	<u>\$ 57,863,192</u>	<u>\$ 12,517,335</u>	<u>\$ 4,404,986</u>	<u>\$ 74,493,956</u>

Depreciation expense of the governmental activities was charged to programs of the District as follows:

Instruction	\$ 1,038,713
Supporting Services	<u>2,565,776</u>
Total	<u>\$ 3,604,489</u>

NOTE 6: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2025.

	Balance 6/30/2024	Additions	Reductions	Balance 6/30/2025	Due Within One Year
Governmental Activities					
Bonds Payable	\$ 23,490,000	\$ -	\$ 1,985,000	\$ 21,505,000	\$ 2,060,000
Bond Premium	1,830,129	-	202,682	1,627,447	-
Financed Purchase	3,352,022	833,355	342,259	3,843,118	384,748
Compensated Absences	376,342	64,622	-	440,964	-
Total	<u>\$ 29,048,493</u>	<u>\$ 897,977</u>	<u>\$ 2,529,941</u>	<u>\$ 27,416,529</u>	<u>\$ 2,444,748</u>

MORGAN COUNTY SCHOOL DISTRICT RE-3**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

NOTE 6: Long-Term Debt (Continued)**General Obligation Bonds, Series 2014**

On March 5, 2014, the District issued General Obligation Bonds, Series, 2014, in the amount of \$7,180,000 for the purpose of providing secure entrances at all District schools and infrastructure improvements at three of the District's elementary schools. Interest accrues from 3% to 4% per annum. Principal is due on December 1, through 2026. Interest is paid semi-annually on June 1 and December 1.

General Obligation Bonds, Series 2015

On February 12, 2015, the District issued General Obligation Bonds, Series, 2015, in the amount of \$11,090,000 for the purpose of building and furnishing a new middle school facility; renovate Baker Central School into an elementary school facility; reconfigure, renovate, improve, and equip various facilities; upgrade all schools with safety and security upgrades; and provide HVAC upgrades and improvements to the high school facility. The bond proceeds represented the District's required match for the Colorado Department of Education BEST Capital Construction Grant awarded in 2014. Principal is paid on December 1, through 2034, with interest paid semi-annually on June 1 and December 1. At June 30, 2025, these bonds were paid in full.

General Obligation Bonds, Series 2021

On June 10, 2021, the District issued Taxable General Obligation Refunding Bonds, Series 2021, in the amount of \$7,960,000 for the purpose of advanced refunding the District's General Obligation Bonds, Series 2015, in the amount of \$6,745,000 which mature from December 1, 2025, to December 1, 2034. The General Obligation Bonds, Series 2015, were subject to prior redemption on December 1, 2024. Bond proceeds were used to fund an escrow account to defease the principal and interest on the callable bonds through the December 1, 2024, call date and redeem the remaining bonds on December 1, 2024. The result of the refinancing was a total debt service reduction (considering both principal and interest) of \$620,342. Principal is paid on December 1, through 2034, with interest payable semi-annually on June 1 and December 1. Interest accrues from 0.27% to 2.4% per annum.

General Obligation Bonds, Series 2022

On February 1, 2022, the District issued General Obligation Bonds, Series 2022A and 2022B for the purpose of payment of two leases and to construct updates for the District's sports complex. The Vectra lease was prepaid in full at the sale of the bonds. The Sterling lease balance was placed in escrow and paid from the General Obligation Bonds, Series 2022B, until maturity in 2030. Principal is paid on December 1, through 2040, with interest paid semi-annually on June 1 and December 1. Interest accrues from 1.17% to 4% per annum.

Bond payments to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 2,060,000	\$ 650,839	\$ 2,710,839
2027	2,115,000	594,093	2,709,093
2028	1,155,000	554,717	1,709,717
2029	1,170,000	533,530	1,703,530
2030	1,195,000	509,854	1,704,854
2031-2035	6,515,000	1,980,694	8,495,694
2036-2040	5,955,000	881,900	6,836,900
2041	1,340,000	26,800	1,366,800
Total	<u>\$ 21,505,000</u>	<u>\$ 5,732,427</u>	<u>\$ 27,237,427</u>

MORGAN COUNTY SCHOOL DISTRICT RE-3**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

NOTE 6: Long-Term Debt (Continued)**Financed Purchase Agreement**

On August 24, 2023, the District entered into a 10-year financed purchase agreement with Webster Bank National Association. The purpose of this agreement was to install LED lighting across the District. The equipment ownership transfers to the District upon full payment of the financed purchase.

Financed purchase payments to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 384,748	\$ 157,788	\$ 542,536
2027	401,117	141,420	542,537
2028	418,181	124,355	542,536
2029	435,972	106,564	542,536
2030	454,520	88,016	542,536
2031-2034	1,748,580	150,296	1,898,876
Total	<u>\$ 3,843,118</u>	<u>\$ 768,439</u>	<u>\$ 4,611,557</u>

NOTE 7: 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), administrative rules set at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code assign the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available annual comprehensive financial report, that includes information on the SDTF, which may be obtained at <https://www.copera.org/forms-resources/financial-reports-and-studies>.

Benefits Provided as of December 31, 2024 - 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 and/or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary over five years multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In all cases, the benefit amount may not exceed the highest average salary, or the amount allowed by applicable federal regulations.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers, while waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date of employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

MORGAN COUNTY SCHOOL DISTRICT RE-3

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 7: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the CRS Subject to the automatic adjustment provision (AAP) under CRS § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, will receive the maximum annual increase (AI) or AI cap of 1% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR). The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in CRS § 24-51-413.

Disability benefits are available for eligible employees 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 20 years of service credit, if deemed disabled.

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 provisions as of June 30, 2025 - The District, State, and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees was 11% for the period from July 1, 2024, through June 30, 2025. The District's contribution rate for the fiscal year was 21.40% of covered salaries. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (Note 8). The District's contributions to the SDTF for the year ended June 30, 2025, were \$5,299,475, equal to the required contributions at a contribution rate of 20.38%.

For the purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SDTF and is considered to meet the definition of a special funding situation. As specified in CRS § 24-51-414, the State of Colorado is required to contribute a \$225 million direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF.

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

The net pension liability was measured at December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll forward the total pension liability to December 31, 2024. 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, 2024, relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At December 31, 2024, the District's proportion was 0.3266367805%, which was a decrease of 0.0203942082% from its proportion measured at December 31, 2023.

MORGAN COUNTY SCHOOL DISTRICT RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 7: Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability that reflected an increase for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 56,360,847
State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	<u>5,062,099</u>
Total	<u>\$ 61,422,946</u>

For the year ended June 30, 2025, the District recognized pension expense of \$5,686,123 and a revenue of (\$462,018) for support from the State as a nonemployer contributing entity. At June 30, 2025, 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
Differences between expected and actual experience	\$ 3,191,631	\$ -
Changes of assumptions and other inputs	422,544	-
Net difference between projected and actual earnings on plan investments	1,063,368	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	4,295,433	2,853,935
Contributions subsequent to the measurement date	<u>2,653,659</u>	<u>-</u>
Total	<u>\$ 11,626,635</u>	<u>\$ 2,853,935</u>

District contributions subsequent to the measurement date of \$2,653,659 are to 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:

<u>Year Ended June 30,</u>	
2026	\$ 4,713,964
2027	4,106,839
2028	(1,943,373)
2029	<u>(758,389)</u>
Total	<u>\$ 6,119,041</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2023, determined the total pension liability using the following actuarial assumptions and other inputs.

MORGAN COUNTY SCHOOL DISTRICT RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 7: Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

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

Mortality assumptions were developed on a benefit-weighted basis and apply generational mortality, as follows. All categories of the mortality tables are generationally projected using scale MP-2019.

- Pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table.
- Post-retirement (retiree) non-disabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows: 1) males: 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, and 2) females: 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older.
- Post-retirement (beneficiary) non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows: 1) males: 97% of the rates for all ages, and 2) females: 105% of the rates for all ages.
- Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages.

The actuarial assumptions used in the December 31, 2023, valuation were based on the results of 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 the PERA Board of Directors at their November 20, 2020, meeting.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, to December 31, 2023, revised actuarial assumptions were adopted by PERA's Board of Directors on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll-forward calculation of the total pension liability from December 31, 2023, to December 31, 2024.

MORGAN COUNTY SCHOOL DISTRICT RE-3

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 7: Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Salary scale assumptions were altered to better reflect actual experience. Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience. The estimated administrative expense as a percentage of covered payroll was increased from 0.40% to 0.45%.

The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on the experience. All mortality assumptions are developed on a benefit-weighted basis. All of the following categories for the mortality tables are generationally projected using the 2024 adjusted MP-2021 projection scale.

- Pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table.
- Post-retirement (retiree) non-disabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows: 1) males: 106% of the rates for all ages, and 2) females: 86% of the rates prior to age 85 and 115% of the rates for ages 85 and older.
- Post-retirement (beneficiary) non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows: 1) males: 92% of the rates for all ages, and 2) females: 100% of the rates for all ages.
- Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 95% of the rates for all ages.

The long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

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

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, PERA's Board of Directors reaffirmed the assumed rate of return at the PERA Board of Director's November 15, 2019, meeting, and again at the Board's September 20, 2024, meeting. 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:

MORGAN COUNTY SCHOOL DISTRICT RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 7: Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	51.00%	5.00%
Fixed Income	23.00%	2.60%
Private Equity	10.00%	7.60%
Real Estate	10.00%	4.10%
Alternatives	6.00%	5.20%
Total	<u>100.00%</u>	

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

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate applied to the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

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

MORGAN COUNTY SCHOOL DISTRICT RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 7: Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

- District contributions and the amount of total service costs for future plan participants were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The annual increase reserve balance was excluded from the initial fund net position, as, per statute, annual increase reserve amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. Annual increase reserve transfers to the fiduciary net position and the subsequent annual increase reserve benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 76,412,246	\$ 56,360,847	\$ 39,564,997

Pension Plan Fiduciary Net Position - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued annual comprehensive financial report, which may be obtained at <https://www.copera.org/forms-resources/financial-reports-and-studies>.

NOTE 8: Postemployment Healthcare Benefits

General Information

Plan Description - All employees of the District are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS), as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. CRS provisions may be amended by the Colorado General Assembly. PERA issues a publicly available financial report, that includes information on the HCTF, which may be obtained at <https://www.copera.org/forms-resources/financial-reports-and-studies>.

MORGAN COUNTY SCHOOL DISTRICT RE-3

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 8: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

Benefits Provided - The HCTF provides a healthcare premium subsidy to eligible participating benefit recipients and retirees who choose to enroll in one of the PERA health care plans. However, the subsidy is not available if benefit recipients or retirees are only enrolled in the dental and/or vision plan(s). 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 basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contributions account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

CRS § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

Enrollment in the PERACare health benefits program is voluntary and available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure - The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced by 5% for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, CRS § 24-51-1206(4) provides an additional subsidy. According to the State statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF on behalf of recipients not covered by Medicare Part A.

Contributions - As established by Title 24, Article 51, Section 208(1)(f) of the CRS, as amended, 1.02% of the District's contributions to the School Division Trust Fund (SDTF) (Note 7) are apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The District's apportionment to the HCTF for the year ended June 30, 2025, was \$265,234, equal to the required amount.

MORGAN COUNTY SCHOOL DISTRICT RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 8: Postemployment Healthcare Benefits (Continued)

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

At June 30, 2025, the District reported a net OPEB liability of \$999,972, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2024. 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, 2024, relative to the contributions of all participating employers.

At December 31, 2024, the District's proportion was 0.2091260694%, which was an increase of 0.0015096937% from its proportion measured at December 31, 2023.

For the year ended June 30, 2025, the District recognized OPEB expense of (\$146,885). At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 220,583
Changes of assumptions and other inputs	11,464	319,636
Net difference between projected and actual earnings on plan investments	3,392	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	48,628	51,800
Contributions subsequent to the measurement date	132,813	-
Total	<u>\$ 196,297</u>	<u>\$ 592,019</u>

District contributions subsequent to the measurement date of \$132,813 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:

<u>Year Ended June 30,</u>	
2026	\$ (179,923)
2027	(88,849)
2028	(113,044)
2029	(70,052)
2030	(49,408)
2031	(27,259)
Total	<u>\$ (528,535)</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2023, determined the total OPEB liability using the following actuarial cost method, actuarial assumptions, and other inputs, applied to all periods included in the measurement.

MORGAN COUNTY SCHOOL DISTRICT RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 8: Postemployment Healthcare Benefits (Continued)

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

Actuarial Cost Method	Entry Age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40% - 11.00%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
16% in 2024, then 6.75% in 2025, gradually decreasing to 4.5% in 2034	
MAPD PPO #2	
105% in 2024, then 8.55% in 2025, gradually decreasing to 4.50% in 2034	
Medicare Part A premiums:	
3.5% in 2024, gradually increasing to 4.5% in 2033	

The total OPEB liability for the HCTF, as of the December 31, 2024, measurement date, was adjusted to reflect the disaffiliation of Tri-County Health Department (Tri-County Health), effective December 31, 2022. The additional employer disaffiliation payment allocation to the HCTF and the Local Government Division Trust Fund were \$0.020 million and \$0.486 million, respectively.

Annually, the per capita health care costs are developed by plan option. At December 31, 2023, actuarial valuation and costs are based on 2024 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies to all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

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

MORGAN COUNTY SCHOOL DISTRICT RE-3

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 8: Postemployment Healthcare Benefits (Continued)

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

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2023, valuation, the following monthly costs/premium are assumed for 2024 for the PERA Benefit Structure:

Sample Age	MAPD PPO #1 with Medicare		MAPD PPO #2 with Medicare		MAPD HMO (Kaiser) with Medicare	
	Part A for Retiree / Spouse		Part A for Retiree / Spouse		Part A for Retiree / Spouse	
	Male	Female	Male	Female	Male	Female
65	\$ 1,710	\$ 1,420	\$ 585	\$ 486	\$ 1,897	\$ 1,575
70	\$ 1,921	\$ 1,589	\$ 657	\$ 544	\$ 2,130	\$ 1,763
75	\$ 2,122	\$ 1,670	\$ 726	\$ 571	\$ 2,353	\$ 1,853

Sample Age	MAPD PPO #1 without Medicare		MAPD PPO #2 without Medicare		MAPD HMO (Kaiser) without Medicare	
	Part A for Retiree / Spouse		Part A for Retiree / Spouse		Part A for Retiree / Spouse	
	Male	Female	Male	Female	Male	Female
65	\$ 6,536	\$ 5,429	\$ 4,241	\$ 3,523	\$ 7,063	\$ 5,866
70	\$ 7,341	\$ 6,073	\$ 4,764	\$ 3,941	\$ 7,933	\$ 6,563
75	\$ 8,110	\$ 6,385	\$ 5,262	\$ 4,143	\$ 8,763	\$ 6,900

The 2024 Medicare Part A premium is \$505 per month. All costs are subject to the health care cost trend rates.

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Medicare plan rates are applied where members have no premium-free Part A and where those premiums are already exceeding the maximum subsidy. MAPD PPO #2 has a separate trend, because the first year rates are still below the maximum subsidy and reflect the estimated impact of the Inflation Reduction Act for that plan option.

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

MORGAN COUNTY SCHOOL DISTRICT RE-3**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

NOTE 8: Postemployment Healthcare Benefits (Continued)**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

Measurement Year	PERACare Medicare Plans *	PERACare Medicare Plans *	Medicare Part A Premiums
2024	16.00%	105.00%	3.50%
2025	6.75%	8.55%	3.75%
2026	6.50%	8.10%	3.75%
2027	6.25%	7.65%	4.00%
2028	6.00%	7.20%	4.00%
2029	5.75%	6.75%	4.25%
2030	5.50%	6.30%	4.25%
2031	5.25%	5.85%	4.25%
2032	5.00%	5.40%	4.25%
2033	4.75%	4.95%	4.50%
2034+	4.50%	4.50%	4.50%

*Increase in 2024 trend rates due to the effect of the Inflation Reduction Act.

Mortality assumptions used in the December 31, 2023, valuation for the determination of the total pension liability, reflect generational mortality and were applied, as applicable, in the December 31, 2023, valuation for the HCTF, but developed using a headcount-weighted basis. SDTF participates in the HCTF (Note 7). All categories of the mortality tables are generationally projected using scale MP-2019. Mortality assumptions used were as follows:

- The pre-retirement mortality assumptions for the SDTF were based upon the PubT-2010 Employee Table.
- Post-retirement non-disabled mortality assumptions for the SDTF were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows: 1) males: 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, and 2) females: 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older.
- Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages.

The health care costs assumptions were updated and used in the roll-forward calculation for the HCTF. Per capita health care costs as of the December 31, 2023, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older and are not eligible for premium-free Medicare Part A benefits were updated to reflect the costs for the 2024 plan year. The healthcare cost trend rates applicable to health care premiums were revised to reflect the then-current expectation of future increases in those premiums. A separate trend rate assumption set was added for MAPD PPO #2 as the first-year rate is still below the maximum subsidy and also the assumption set reflects the estimated impact of the Inflation Reduction Act for that plan option. The Medicare health care plan election rate assumptions were updated effective as of the December 31, 2023, valuation rate based on an experience analysis of recent data.

MORGAN COUNTY SCHOOL DISTRICT RE-3

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 8: Postemployment Healthcare Benefits (Continued)

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

The actuarial assumptions used in the December 31, 2023, valuations were based on the results of the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board of Directors at their November 20, 2020, meeting.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, to December 31, 2023, revised actuarial assumptions were adopted by PERA's Board of Directors on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll forward calculation of the total OPEB liability from December 31, 2023, to December 31, 2024.

The following health care costs assumptions were used in the roll-forward calculation for the HCTF.

- Salary increases, including wage inflation for the SDTF were 4% - 13.40%.
- Salary scale assumptions were altered to better reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- Participation rates were reduced.
- MAPD premium costs are no longer age graded.

Plan	With Medicare Part A	Without Medicare Part A
MAPD PPO#1	\$ 1,824	\$ 6,972
MAPD PPO #2	\$ 624	\$ 4,524
MAPD HMO (Kaiser)	\$ 2,040	\$ 7,596

The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on the experience. All categories in the mortality tables are generationally projected using the 2024 adjusted MP-2021 project scale. These assumptions updated for the Division Trust Funds, were also applied in the roll-forward calculations for the HCTF using a headcount-weighted basis. Affiliated employers of the SDTF participate in the HCTF (Note 7).

- The pre-retirement mortality assumptions for the SDTF were based upon the PubT-2010 Employee Table.
- Post-retirement non-disabled mortality assumptions for the SDTF were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows: 1) males: 106% of the rates for all ages, and 2) females: 86% of the rates prior to age 85 and 115% of the rates for ages 85 and older.
- Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 95% of the rates for all ages.

The actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed annually and updated, as appropriate, by the PERA Board of Director's actuary.

MORGAN COUNTY SCHOOL DISTRICT RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 8: Postemployment Healthcare Benefits (Continued)

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

The long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three-to-five years for PERA. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

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

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the PERA Board of Director's meetings on November 15, 2019, and the September 20, 2024.

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	51.00%	5.00%
Fixed Income	23.00%	2.60%
Private Equity	10.00%	7.60%
Real Estate	10.00%	4.10%
Alternatives	6.00%	5.20%
Total	100.00%	

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

Discount rate - The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2024, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3%.

MORGAN COUNTY SCHOOL DISTRICT RE-3**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

NOTE 8: Postemployment Healthcare Benefits (Continued)**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.
- As of December 31, 2024, measurement date, the fiduciary net position, and related disclosure components for the HCTF reflect payments related to disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$0.020 million and \$0.486 million, respectively.

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate**	5.75%	6.75%	7.75%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial MAPD PPO#2 trend rate**	7.55%	8.55%	9.55%
Ultimate MAPD PPO#2 trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate**	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 973,030	\$ 999,972	\$ 1,030,462

** For the January 1, 2025, plan year.

MORGAN COUNTY SCHOOL DISTRICT RE-3

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 8: Postemployment Healthcare Benefits (Continued)

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 1,225,481	\$ 999,972	\$ 805,556

OPEB Plan Fiduciary Net Position - Detailed information about the HCTF's fiduciary net position is available in PERA's separately issued annual comprehensive financial report, which may be obtained at <https://www.copera.org/forms-resources/financial-reports-and-studies>.

NOTE 9: Commitments and Contingencies

Claims and Judgments

The District participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. At June 30, 2025, significant amounts of grant expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

Tabor Amendment

In November 1992, Colorado voters passed Article X, Section 20 (the Amendment) to the State Constitution which limits state and local government taxing powers and imposes spending limits. The District is subject to the Amendment.

In November 1998, the registered voters approved a ballot resolution authorizing Morgan County School District RE-3 to collect, retain and expend all revenues from any source provided that no property tax mill levy be increased without the consent of the voters.

The Amendment requires the District to establish a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2025, the District's emergency reserve was reported as restricted fund balance in the General Fund, in the amount of \$1,500,000.

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.

MORGAN COUNTY SCHOOL DISTRICT RE-3**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

NOTE 10: Joint Venture

The District, in conjunction with other surrounding districts, participates in the Centennial Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The BOCES board is comprised of one member from each participating district. During the year ended June 30, 2025, the District contributed \$190,208 to the BOCES. Separate financial statements for the BOCES are available at 2020 Clubhouse Drive, Greeley, CO, 80634.

NOTE 11: Restatement - Correction of an Error

In 2024, the District identified a correction of an error to the beginning net position and beginning fund balances for the Governmental Activities and the General Fund, respectively, for the prior fiscal year ended June 30, 2024. This was required in order to correct the beginning balances to record expenditures in the proper accounting year, which includes fiscal year ended June 30, 2024, and directly impacted capital asset additions for the lighting project that should have been recorded for the fiscal year ended June 30, 2024, summarized as follows:

	General Fund	Total Governmental Funds	Governmental Activities
Net Position, Beginning, as Originally Stated	\$ 15,981,846	\$ 26,459,033	\$ 13,551,943
Capital Outlay	(809,807)	(809,807)	\$ (809,807)
Capital Assets, Not Being Depreciated	-	-	1,414,426
Net Position/Fund Balance, Beginning, as Restated	<u>\$ 15,172,039</u>	<u>\$ 25,649,226</u>	<u>\$ 14,156,562</u>

REQUIRED SUPPLEMENTARY INFORMATION

MORGAN COUNTY SCHOOL DISTRICT RE-3
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2025

	BUDGET			VARIANCE
	ORIGINAL	FINAL	ACTUAL	Positive (Negative)
REVENUES				
Local Sources	\$ 12,357,382	\$ 12,042,560	\$ 12,360,363	\$ 317,803
County Sources	16,500	9,900	9,882	(18)
State Grants	30,349,391	34,817,503	32,230,052	(2,587,451)
Federal Grants	2,755,169	1,380,248	1,163,245	(217,003)
TOTAL REVENUES	45,478,442	48,250,211	45,763,542	(2,486,669)
EXPENDITURES				
Current				
Instruction	25,838,539	26,193,903	24,917,371	1,276,532
Supporting Services				
Students	1,811,448	1,773,503	2,789,112	(1,015,609)
Instructional Staff	1,806,799	2,198,598	2,339,698	(141,100)
General Administration	723,662	726,307	558,795	167,512
School Administration	2,560,725	2,644,681	3,171,942	(527,261)
Business Services	841,329	1,000,398	973,016	27,382
Operations and Maintenance	4,206,734	4,303,140	4,623,981	(320,841)
Student Transportation	1,069,749	1,204,510	1,340,340	(135,830)
Central Support	2,798,174	2,781,513	2,515,750	265,763
Other Support	-	1,500,000	1,627,013	(127,013)
Total Supporting Services	15,818,620	18,132,650	19,939,647	(1,806,997)
Capital Outlay	1,455,100	2,550,482	4,240,114	(1,689,632)
Debt Service				
Principal	-	-	342,259	(342,259)
Interest and Other Charges	-	-	144,883	(144,883)
Total Debt Service	-	-	487,142	(487,142)
Contingencies	9,437,822	13,444,269	-	13,444,269
TOTAL EXPENDITURES	52,550,081	60,321,304	49,584,274	11,224,172
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,071,639)	(12,071,093)	(3,820,732)	8,250,361
OTHER FINANCING SOURCES (USES)				
Financed Purchase Proceeds	-	-	833,355	833,355
Insurance Proceeds	-	-	6,112	6,112
TOTAL OTHER FINANCING SOURCES (USES)	-	-	839,467	839,467
CHANGE IN FUND BALANCE	(7,071,639)	(12,071,093)	(2,981,265)	9,089,828
FUND BALANCE, Beginning, as Originally Stated	10,340,284	15,981,847	15,981,846	(1)
Restatement - Correction of an Error	-	-	(809,807)	(809,807)
FUND BALANCE, Beginning, as Restated	10,340,284	15,981,847	15,172,039	(809,808)
FUND BALANCE, Ending	\$ 3,268,645	\$ 3,910,754	\$ 12,190,774	\$ 8,280,020

MORGAN COUNTY SCHOOL DISTRICT RE-3
BUDGETARY COMPARISON SCHEDULE
GRANTS FUND
Year Ended June 30, 2025

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
Local Sources	\$ 10,914	\$ 48,071	\$ 74,565	\$ 26,494
State Sources	347,285	623,097	530,280	(92,817)
Federal Sources	1,004,359	1,846,523	1,066,879	(779,644)
TOTAL REVENUES	1,362,558	2,517,691	1,671,724	(845,967)
EXPENDITURES				
Current				
Instruction				
Salaries	877,956	1,023,546	363,872	659,674
Benefits	366,782	370,939	170,989	199,950
Purchased Services	20,078	286,236	18,852	267,384
Supplies	80,952	282,555	82,251	200,304
Other	8,907	525,161	15,959	509,202
Total Instruction	1,354,675	2,488,437	651,923	1,836,514
Supporting Services				
Salaries	-	-	454,971	(454,971)
Benefits	-	-	169,831	(169,831)
Purchased Services	-	-	212,506	(212,506)
Supplies	-	-	67,342	(67,342)
Other	-	-	72,664	(72,664)
Total Supporting Services	-	-	977,314	(977,314)
Capital Outlay	7,883	29,254	33,553	(4,299)
Contingencies	284,391	364,767	-	364,767
TOTAL EXPENDITURES	1,646,949	2,882,458	1,662,790	1,219,668
CHANGE IN FUND BALANCE	(284,391)	(364,767)	8,934	373,701
FUND BALANCE, Beginning	284,391	364,767	364,767	-
FUND BALANCE, Ending	\$ -	\$ -	\$ 373,701	\$ 373,701

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, 2025

MEASUREMENT DATE	<u>12/31/24</u>	<u>12/31/23</u>	<u>12/31/22</u>	<u>12/31/21</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY				
District's Proportion of the Net Pension Liability	0.3266367805%	0.3470309887%	0.2765930783%	0.3155800210%
District's Proportionate Share of the Net Pension Liability	\$ 56,360,847	\$ 61,366,954	\$ 50,366,120	\$ 36,725,202
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>5,062,099</u>	<u>1,345,595</u>	<u>14,677,193</u>	<u>4,210,075</u>
Total Proportionate Share of the Net Pension Liability	<u><u>61,422,946</u></u>	<u><u>62,712,549</u></u>	<u><u>65,043,313</u></u>	<u><u>40,935,277</u></u>
District's Covered Payroll	\$ 25,239,997	\$ 26,940,844	\$ 21,328,124	\$ 18,911,058
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	223%	228%	236%	194%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67%	65%	62%	75%
FISCAL YEAR-END	<u>6/30/25</u>	<u>6/30/24</u>	<u>6/30/23</u>	<u>6/30/22</u>
DISTRICT CONTRIBUTIONS				
Statutorily Required Contribution	\$ 5,299,475	\$ 4,963,906	\$ 4,149,707	\$ 3,835,152
Contributions in Relation to the Statutorily Required Contribution	<u>(5,299,475)</u>	<u>(4,963,906)</u>	<u>(4,149,707)</u>	<u>(3,835,152)</u>
Contribution Deficiency (Excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
District's Covered Payroll	\$ 26,003,286	\$ 24,356,719	\$ 21,769,744	\$ 19,343,158
Contributions as a Percentage of Covered Payroll	20.38%	20.38%	19.06%	19.83%

<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>
0.3631835325%	0.3439872861%	0.3276944674%	0.3696201719%	0.3602611241%	0.3617443754%
\$ 54,606,025	\$ 51,390,954	\$ 58,025,036	\$ 119,522,027	\$ 107,263,668	\$ 55,326,248
<u>-</u>	<u>6,518,289</u>	<u>7,934,118</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>54,606,025</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>
\$ 19,428,689	\$ 20,206,371	\$ 18,015,263	\$ 170,505,207	\$ 16,173,882	\$ 15,764,734
281%	254%	322%	70%	663%	351%
67%	65%	57%	44%	43%	59%
<u>6/30/21</u>	<u>06/30/20</u>	<u>06/30/19</u>	<u>06/30/18</u>	<u>06/30/17</u>	<u>06/30/16</u>
\$ 3,819,008	\$ 4,015,672	\$ 3,534,150	\$ 3,315,227	\$ 3,045,963	\$ 2,830,814
<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>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ 19,199,927	\$ 20,720,188	\$ 18,474,374	\$ 17,552,824	\$ 16,570,403	\$ 15,959,719
19.89%	19.38%	19.13%	18.89%	18.38%	17.74%

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, 2025

MEASUREMENT DATE	<u>12/31/24</u>	<u>12/31/23</u>	<u>12/31/22</u>	<u>12/31/21</u>
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY				
District's Proportion of the Net OPEB Liability	0.2091260694%	0.2076637570%	0.2101779559%	0.2060495325%
District's Proportionate Share of the Net OPEB Liability	\$ 999,972	\$ 1,481,812	\$ 1,716,059	\$ 1,776,775
District's Covered Payroll	\$ 25,239,997	\$ 26,940,844	\$ 21,328,124	\$ 18,911,058
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	4%	6%	8%	9%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	60%	46%	39%	39%
FISCAL YEAR-END	<u>6/30/25</u>	<u>6/30/24</u>	<u>6/30/23</u>	<u>6/30/22</u>
DISTRICT CONTRIBUTIONS				
Statutorily Required Contribution	\$ 265,234	\$ 248,439	\$ 222,051	\$ 207,573
Contributions in Relation to the Statutorily Required Contribution	<u>(265,234)</u>	<u>(248,439)</u>	<u>(222,051)</u>	<u>(207,573)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's Covered Payroll	\$ 26,003,286	\$ 24,356,719	\$ 21,769,744	\$ 19,343,158
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.07%

This schedule is presented to show information for 10 years.
Information will be presented for the 10 years when it is available.

<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>
0.2100975617%	0.2247254202%	0.2130048354%	0.2100175754%
\$ 1,996,400	\$ 2,525,909	\$ 2,898,020	\$ 2,729,388
\$ 19,428,689	\$ 20,206,371	\$ 18,015,263	\$ 170,505,207
10%	13%	16%	2%
33%	24%	17%	18%
<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>
\$ 195,839	\$ 211,346	\$ 188,439	\$ 179,039
<u>(195,839)</u>	<u>(211,346)</u>	<u>(188,439)</u>	<u>(179,039)</u>
\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
\$ 19,199,927	\$ 20,720,188	\$ 18,474,374	\$ 17,552,824
1.02%	1.02%	1.02%	1.02%

MORGAN COUNTY SCHOOL DISTRICT RE-3
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025

NOTE 1: Stewardship, Compliance, and Accountability

Budgetary Information

Budgets are adopted for all funds on a basis consistent with generally accepted accounting principles. The District adheres to the following procedures to establish the budgetary information reflected in the financial statements.

- Management 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.
- Public hearings are conducted by the School Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budget amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the Superintendent. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- All budget appropriations lapse at fiscal year-end.

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

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

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

HCTF Plan - As of the December 31, 2023, measurement date, the fiduciary net position (FNP), and related disclosure components for the Health Care Trust Fund (HCTF) reflect payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24 million payment received on December 4, 2023, and a \$2 million receivable. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$1.033 million and \$24.967 million, respectively.

As of the December 31, 2024, measurement date, the fiduciary net position, and related disclosure components for HCTF reflect additional payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the HCTF and Local Government Division Trust Fund were \$0.020 million and \$0.486 million, respectively.

For RSI disclosures reported in previous years, refer to the PERA's annual comprehensive financial report (ACFR) notes to the required supplementary information at the following link: <https://www.copera.org/forms-resources/financial-reports-and-studies>.

MORGAN COUNTY SCHOOL DISTRICT RE-3
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025

NOTE 3: Changes in Assumptions and Other Inputs

STDF Plan – Salary scale assumptions were altered to better reflect actual experience. Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience. The Pub-2010 Public Retirement Plans Mortality base tables were retained for purposes of active, retired, disabled, and beneficiary lives, with revised adjustments for credibility and gender, where applicable. In addition, the applied generational projection scale was updated to the 2024 adjusted scale MP-2021. The estimated administrative expense as a percentage of covered payroll was increased from 0.40% to 0.45%.

SB 25-310 was enacted on June 2, 2025, and effective immediately, allows PERA to accept a series of warrants from the State Treasurer totaling \$500 million on or after July 1, 2025, and before October 1, 2025. These dollars will be proportioned over time to replace reductions to the future direct distributions intended to fund the Peace Officer Training and Support Fund and, at that time, will be allocated to the appropriate Division Trust Fund(s) within PERA. SB 25-310 also allows for an alternative actuarial method to allocate the direct distribution if the allocation, based on the reported payroll of each participating division, results in an AAP assessment ratio below the 98% benchmark.

HCTF Plan – Salary scale assumptions were altered to better reflect actual experience. Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience. The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on experience. In addition, the mortality projection scale was updated to the 2024 adjusted scale MP-2021 to reflect future improvements in mortality for all groups. Participation rates were reduced. MAPD premium costs are no longer age graded.

For RSI disclosures reported in previous years to the PERA's annual comprehensive financial report (ACFR) notes to the required supplementary information may be obtained as follows:
<https://www.copera.org/forms-resources/financial-reports-and-studies>.

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND
BUDGETARY COMPARISON SCHEDULES**

MORGAN COUNTY SCHOOL DISTRICT RE-3
COMBINING BALANCE SHEET
GENERAL FUND
June 30, 2025

	<u>GENERAL DEPARTMENT</u>	<u>MILL LEVY DEPARTMENT</u>	<u>DAYCARE DEPARTMENT</u>
ASSETS			
Cash and Investments	\$ 11,711,423	\$ 421,711	\$ 170,308
Accounts Receivable	84,339	225	26,932
Taxes Receivable	709,030	28,909	-
Grants Receivable	756,957	-	-
Interfund Receivables	1,780,218	1,324	-
Inventories	100,527	-	-
Prepaid Expenditures	<u>32,298</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>15,174,792</u>	\$ <u>452,169</u>	\$ <u>197,240</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 379,873	\$ 92	\$ -
Accrued Salaries and Benefits	4,296,166	-	24,195
Interfund Payables	267,127	-	53,466
Unearned Revenue	<u>26,378</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>4,969,544</u>	<u>92</u>	<u>77,661</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	<u>244,123</u>	<u>15,236</u>	<u>-</u>
FUND BALANCES			
Nonspendable:			
Inventories	100,527	-	-
Prepaid Expenditures	32,298	-	-
Restricted for:			
Universal Preschool Program	-	-	119,579
Emergencies	1,500,000	-	-
Mill Levy - Capital and Maintenance	-	436,841	-
Assigned to Capital Projects	-	-	-
Unassigned	<u>8,328,300</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>9,961,125</u>	<u>436,841</u>	<u>119,579</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ <u>15,174,792</u>	\$ <u>452,169</u>	\$ <u>197,240</u>

CAPITAL RESERVE DEPARTMENT	INSURANCE DEPARTMENT	COLORADO PRESCHOOL DEPARTMENT	TOTAL
\$ 776,203	\$ 639,509	\$ 411,454	\$ 14,130,608
-	-	-	111,496
-	-	-	737,939
-	-	-	756,957
20,773	-	-	1,802,315
-	-	-	100,527
-	5,361	-	37,659
<u>796,976</u>	<u>644,870</u>	<u>411,454</u>	<u>17,677,501</u>
\$ -	\$ -	\$ -	\$ 379,965
-	-	128,168	4,448,529
-	-	51,903	372,496
-	-	-	26,378
<u>-</u>	<u>-</u>	<u>180,071</u>	<u>5,227,368</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>259,359</u>
-	-	-	100,527
-	5,361	-	37,659
-	-	231,383	350,962
-	-	-	1,500,000
-	-	-	436,841
796,976	-	-	796,976
<u>-</u>	<u>639,509</u>	<u>-</u>	<u>8,967,809</u>
<u>796,976</u>	<u>644,870</u>	<u>231,383</u>	<u>12,190,774</u>
<u>\$ 796,976</u>	<u>\$ 644,870</u>	<u>\$ 411,454</u>	<u>\$ 17,677,501</u>

MORGAN COUNTY SCHOOL DISTRICT RE-3
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
Year Ended June 30, 2025

	<u>GENERAL DEPARTMENT</u>	<u>MILL LEVY DEPARTMENT</u>	<u>DAYCARE DEPARTMENT</u>
REVENUES			
Local Sources	\$ 11,512,560	\$ 550,710	\$ 268,840
County Sources	9,882	-	-
State Grants	31,093,153	-	175,468
Federal Grants	<u>1,100,068</u>	<u>-</u>	<u>63,177</u>
TOTAL REVENUES	<u>43,715,663</u>	<u>550,710</u>	<u>507,485</u>
EXPENDITURES			
Current			
Instruction	<u>23,459,199</u>	<u>22,555</u>	<u>542,839</u>
Supporting Services			
Students	2,789,037	-	75
Instructional Staff	2,339,698	-	-
General Administration	558,795	-	-
School Administration	3,171,942	-	-
Business Services	971,660	1,356	-
Operations and Maintenance	4,402,471	221,510	-
Student Transportation	1,335,389	4,950	-
Central Support	1,500,826	-	-
Community Services	-	-	-
Other Support	<u>123,374</u>	<u>3,552</u>	<u>-</u>
Total Supporting Services	<u>17,193,192</u>	<u>231,368</u>	<u>75</u>
Capital Outlay	<u>3,436,490</u>	<u>277,301</u>	<u>1,803</u>
Debt Service			
Principal	342,259	-	-
Interest and Other Charges	<u>144,883</u>	<u>-</u>	<u>-</u>
Total Debt Service	<u>487,142</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	44,576,023	531,224	544,717
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(860,360)</u>	<u>19,486</u>	<u>(37,232)</u>
OTHER FINANCING SOURCES (USES)			
Financed Purchase Proceeds	833,355	-	-
Insurance Proceeds	-	-	-
Transfers In (Out)	<u>(1,614,000)</u>	<u>-</u>	<u>45,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(780,645)</u>	<u>-</u>	<u>45,000</u>
CHANGE IN FUND BALANCE	(1,641,005)	19,486	7,768
FUND BALANCE, Beginning, as Originally Stated	12,411,937	417,355	111,811
Restatement - Correction of an Error	<u>(809,807)</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Beginning, as Restated	<u>11,602,130</u>	<u>417,355</u>	<u>111,811</u>
FUND BALANCE, Ending	<u>\$ 9,961,125</u>	<u>\$ 436,841</u>	<u>\$ 119,579</u>

CAPITAL RESERVE DEPARTMENT	INSURANCE DEPARTMENT	COLORADO PRESCHOOL DEPARTMENT	TOTAL
\$ 578	\$ 27,612	\$ 63	\$ 12,360,363
-	-	-	9,882
-	-	961,431	32,230,052
-	-	-	1,163,245
<u>578</u>	<u>27,612</u>	<u>961,494</u>	<u>45,763,542</u>
-	-	892,778	24,917,371
-	-	-	2,789,112
-	-	-	2,339,698
-	-	-	558,795
-	-	-	3,171,942
-	-	-	973,016
-	-	-	4,623,981
-	-	1	1,340,340
-	1,014,924	-	2,515,750
-	1,500,000	-	1,500,000
-	-	87	127,013
-	<u>2,514,924</u>	<u>88</u>	<u>19,939,647</u>
<u>522,544</u>	<u>-</u>	<u>1,976</u>	<u>4,240,114</u>
-	-	-	342,259
-	-	-	144,883
-	-	-	487,142
522,544	2,514,924	894,842	49,584,274
<u>(521,966)</u>	<u>(2,487,312)</u>	<u>66,652</u>	<u>(3,820,732)</u>
-	-	-	833,355
-	6,112	-	6,112
<u>519,000</u>	<u>1,050,000</u>	<u>-</u>	<u>-</u>
<u>519,000</u>	<u>1,056,112</u>	<u>-</u>	<u>839,467</u>
(2,966)	(1,431,200)	66,652	(2,981,265)
799,942	2,076,070	164,731	15,981,846
-	-	-	(809,807)
<u>799,942</u>	<u>2,076,070</u>	<u>164,731</u>	<u>15,172,039</u>
<u>\$ 796,976</u>	<u>\$ 644,870</u>	<u>\$ 231,383</u>	<u>\$ 12,190,774</u>

MORGAN COUNTY SCHOOL DISTRICT RE-3
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2025

	<u>FOOD SERVICE</u>	<u>STUDENT ACTIVITY</u>	<u>BOND</u>	<u>TOTAL</u>
ASSETS				
Cash and Investments	\$ 568,024	\$ 350,826	\$ -	\$ 918,850
Taxes Receivable	-	-	-	-
Grants Receivable	432,238	-	-	432,238
Accounts Receivable	-	2,292	-	2,292
Inventories	108,974	-	-	108,974
Interfund Receivables	-	280,277	-	280,277
	-	-	-	-
TOTAL ASSETS	\$ <u>1,109,236</u>	\$ <u>633,395</u>	\$ <u>-</u>	\$ <u>1,742,631</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 77,210	\$ 4,516	\$ -	\$ 81,726
Accrued Salaries and Benefits	123,056	-	-	123,056
Interfund Payables	190,070	52,712	-	242,782
Unearned Revenues	3,028	-	-	3,028
	393,364	57,228	-	450,592
TOTAL LIABILITIES	393,364	57,228	-	450,592
FUND BALANCES				
Nonspendable Inventories	108,974	-	-	108,974
Assigned to:				
Food Services	606,898	-	-	606,898
Student Activities	-	576,167	-	576,167
	715,872	576,167	-	1,292,039
TOTAL FUND BALANCES	715,872	576,167	-	1,292,039
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,109,236</u>	\$ <u>633,395</u>	\$ <u>-</u>	\$ <u>1,742,631</u>

MORGAN COUNTY SCHOOL DISTRICT RE-3
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2025

	<u>FOOD SERVICE</u>	<u>STUDENT ACTIVITY</u>	<u>BOND</u>	<u>TOTAL</u>
REVENUES				
Local Sources	\$ 89,634	\$ 465,231	\$ -	\$ 554,865
State Sources	337,645	-	-	337,645
Federal Sources	<u>2,746,384</u>	<u>-</u>	<u>-</u>	<u>2,746,384</u>
 TOTAL REVENUES	 <u>3,173,663</u>	 <u>465,231</u>	 <u>-</u>	 <u>3,638,894</u>
EXPENDITURES				
Current				
Instruction	-	494,889	-	494,889
Supporting Services	-	19,716	-	19,716
Food Services	2,934,839	-	-	2,934,839
Capital Outlay	<u>141,756</u>	<u>-</u>	<u>-</u>	<u>141,756</u>
 TOTAL EXPENDITURES	 <u>3,076,595</u>	 <u>514,605</u>	 <u>-</u>	 <u>3,591,200</u>
 CHANGES IN FUND BALANCES	 97,068	 (49,374)	 -	 47,694
FUND BALANCES, Beginning, as Originally Sta	618,804	625,541	2,777,143	4,021,488
Reclassification - Nonmajor to Major	<u>-</u>	<u>-</u>	<u>(2,777,143)</u>	<u>(2,777,143)</u>
FUND BALANCES, Beginning, as Reclassified	<u>618,804</u>	<u>625,541</u>	<u>-</u>	<u>1,244,345</u>
FUND BALANCES, Ending	<u>\$ 715,872</u>	<u>\$ 576,167</u>	<u>\$ -</u>	<u>\$ 1,292,039</u>

MORGAN COUNTY SCHOOL DISTRICT RE-3
BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
Year Ended June 30, 2025

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
Local Sources				
Fees	\$ 30,000	\$ 30,000	\$ 57,960	\$ 27,960
Miscellaneous	-	-	10,082	10,082
Investment Income	-	-	21,592	21,592
State Grants	515,000	515,000	337,645	(177,355)
Federal Grants	2,035,000	2,285,000	2,746,384	461,384
	<u>2,580,000</u>	<u>2,830,000</u>	<u>3,173,663</u>	<u>343,663</u>
TOTAL REVENUES	<u>2,580,000</u>	<u>2,830,000</u>	<u>3,173,663</u>	<u>343,663</u>
EXPENDITURES				
Current				
Salaries	741,515	741,515	849,294	(107,779)
Benefits	365,606	365,606	393,095	(27,489)
Purchased Services	31,060	31,060	42,702	(11,642)
Supplies and Materials	1,515,500	1,765,500	1,649,748	115,752
Capital Outlay	-	-	141,756	(141,756)
Reserves	524,644	545,123	-	545,123
	<u>3,178,325</u>	<u>3,448,804</u>	<u>3,076,595</u>	<u>372,209</u>
TOTAL EXPENDITURES	<u>3,178,325</u>	<u>3,448,804</u>	<u>3,076,595</u>	<u>372,209</u>
CHANGE IN FUND BALANCE	(598,325)	(618,804)	97,068	715,872
FUND BALANCE, Beginning	<u>598,325</u>	<u>618,804</u>	<u>618,804</u>	<u>-</u>
FUND BALANCE, Ending	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>715,872</u></u>	\$ <u><u>715,872</u></u>

MORGAN COUNTY SCHOOL DISTRICT RE-3
BUDGETARY COMPARISON SCHEDULE
STUDENT ACTIVITY FUND
Year Ended June 30, 2025

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
Local Sources				
Student Activity Fees	\$ 531,516	\$ 531,516	\$ 455,905	\$ (75,611)
Investment Income	-	-	9,326	9,326
TOTAL REVENUES	531,516	531,516	465,231	(66,285)
EXPENDITURES				
Current				
Instruction	531,516	531,516	494,889	36,627
Supporting Services	-	-	19,716	(19,716)
Contingencies	668,088	625,541		625,541
TOTAL EXPENDITURES	1,199,604	1,157,057	514,605	642,452
CHANGE IN FUND BALANCE	(668,088)	(625,541)	(49,374)	566,841
FUND BALANCE, Beginning	668,088	625,541	625,541	-
FUND BALANCE, Ending	\$ -	\$ -	\$ 576,167	\$ 576,167

MORGAN COUNTY SCHOOL DISTRICT RE-3
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
Year Ended June 30, 2025

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
Local Sources				
Property Taxes	\$ 2,734,683	\$ 2,734,683	\$ 2,705,427	\$ (29,256)
Investment Income	6,000	6,000	78,303	72,303
TOTAL REVENUES	2,740,683	2,740,683	2,783,730	43,047
EXPENDITURES				
Debt Service				
Principal	1,985,000	1,985,000	1,985,000	-
Interest	749,647	749,647	713,915	35,732
Fees and Charges	6,000	6,000	3,500	2,500
Contingencies	2,734,568	2,777,180	-	2,777,180
TOTAL EXPENDITURES	5,475,215	5,517,827	2,702,415	2,815,412
CHANGE IN FUND BALANCE	(2,734,532)	(2,777,144)	81,315	2,858,459
FUND BALANCE, Beginning	2,734,532	2,777,144	2,777,143	(1)
FUND BALANCE, Ending	\$ -	\$ -	\$ 2,858,458	\$ 2,858,458

MORGAN COUNTY SCHOOL DISTRICT RE-3
BUDGETARY COMPARISON SCHEDULE
BUILDING FUND
Year Ended June 30, 2025

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
Local Sources	\$ -	\$ 175,000	\$ 176,084	\$ 1,084
State Sources	-	-	3,341,269	3,341,269
Federal Sources	-	3,487,806	-	(3,487,806)
TOTAL REVENUES	-	3,662,806	3,517,353	(145,453)
EXPENDITURES				
Capital Outlay	-	9,395,377	9,055,401	339,976
Contingencies	5,670,816	358,360	-	358,360
TOTAL EXPENDITURES	5,670,816	9,753,737	9,055,401	698,336
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,670,816)	(6,090,931)	(5,538,048)	552,883
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	-	-	89,037	89,037
CHANGE IN FUND BALANCE	(5,670,816)	(6,090,931)	(5,449,011)	641,920
FUND BALANCE, Beginning	5,670,816	6,090,931	6,090,932	1
FUND BALANCE, Ending	\$ -	\$ -	\$ 641,921	\$ 641,921

MORGAN COUNTY SCHOOL DISTRICT RE-3
BUDGETARY COMPARISON SCHEDULE
PRIVATE PURPOSE TRUST FUND
Year Ended June 30, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
ADDITIONS				
Contributions and Donations	\$ 250,000	\$ 366,000	\$ 363,876	\$ (2,124)
OPERATING EXPENSES				
Scholarship Awards	250,000	367,050	367,050	-
Contingencies	140,026	-	-	-
TOTAL OPERATING EXPENSES	390,026	367,050	367,050	-
CHANGE IN NET POSITION	(140,026)	(1,050)	(3,174)	(2,124)
NET POSITION, Beginning	140,026	160,868	160,868	-
NET POSITION, Ending	\$ -	\$ 159,818	\$ 157,694	\$ (2,124)

COMPLIANCE SECTION

SINGLE AUDIT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morgan County School District RE-3 (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District and have issued our report thereon dated January 16, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, report on, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. the District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

DMC Auditing and Consulting, LLC

January 16, 2026
Bailey, Colorado

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM, INTERNAL CONTROL OVER COMPLIANCE,
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Morgan County School District RE-3's (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. the District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

Board of Education
Morgan County School District RE-3

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.

DMC Auditing and Consulting, LLC

January 16, 2026
Bailey, Colorado

MORGAN COUNTY SCHOOL DISTRICT RE-3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2025

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

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

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

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

☐ Yes ☒ No

Identification of major federal programs:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Cluster/Program</u>
10.553, 10.555, 10.559, 10.582	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

The District did not have any federal awards findings and questioned costs.

MORGAN COUNTY SCHOOL DISTRICT RE-3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2025

SECTION II: FINANCIAL STATEMENT FINDINGS

2025-001: Material Audit Adjusting Journal Entries in the Financial Statements

Criteria: AU-C Section 265, A.11 in part states that indicators of material weaknesses in internal control include an identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected and corrected by the entity's internal control. In addition, AU-C Section 265, A.11 in part states restatement of previously issued financial statements to reflect the correction of a material misstatement.

Condition: We have identified several material misstatements in the financial statements for the fiscal year ended June 30, 2025, including a restatement of beginning net position and beginning fund balances. These adjustments were related to capital outlay and capital assets that should have been recorded during the fiscal year ended June 30, 2024, due to the period in which the expenditures have been incurred based on an accrual basis of accounting.

Cause: The internal controls related to year-end adjustments and accounts payable were designed but not effective.

Effect: The District's financial statements were restated as of June 30, 2024, and had material adjustments made as part of the audit.

Repeat Finding: No.

Recommendation: We recommend that the District perform procedures as part of the year-end closing process to identify any invoices that relate to the audit year but paid in the subsequent year. In addition, we recommend that the District record all year-end closing journal entries prior to the beginning of the start of the audit process. We understand that management has already discussed implementation of additional procedures to avoid material audit adjustments in the future and prior year corrections of errors.

Corrective Action Plan: Reported on page 66.

Morgan County School District Re-3

District Support Center

715 West Platte Avenue

Fort Morgan, Colorado 80701



From the Office of the Chief Financial Officer

January 16, 2026

Corrective Action Plan:

Finding: 2025-001

Type of Weakness in Internal Control over Financial Reporting. Morgan County School District had the following regarding internal controls:

-A material error in the prior year financial statements relating accruing cost of construction invoices.

Morgan County School District agrees with the finding 2025-001 and will implement the following corrective steps:

- The finance team will review end of year invoices paid subsequent to the end of the year. Particular attention will be paid to invoices relating to construction. The CFO will also communicate to the finance team the importance of reviewing all subsequent payments.

MORGAN COUNTY SCHOOL DISTRICT RE-3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through State Department of Education</i>			
<u>Child Nutrition Cluster</u>			
School Breakfast Program (SBP)	10.553	4553	\$ 380,337
National School Lunch Program (NSLP)	10.555	4555	1,581,330
National School Lunch Program (Supply Chain Assistance)	10.555	6555	42,710
Summer Food Service Program for Children	10.559	4559	446,527
Fresh Fruit and Vegetable Program	10.582	4582	104,070
<i>Passed through State Department of Human Services</i>			
National School Lunch Program (Donated Commodities)	10.555	4555	191,410
<u>Child Nutrition Cluster Subtotal</u>			<u>2,746,384</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>2,746,384</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through State Department of Education</i>			
Title I	84.010	4010, 9206, 9211, 9212	650,952
Title I - Migrant	84.011A	4011	91,238
<u>Special Education Cluster (IDEA)</u>			
Special Education - IDEA Part B	84.027A	4027, 8027	861,446
Special Education - IDEA Preschool	84.173A	4173	37,680
<u>Special Education Cluster (IDEA) Subtotal</u>			<u>899,126</u>
English Language Acquisition	84.365	4365	62,387
Supporting Effective Instruction	84.367	4367	118,893
Student Support and Academic Enrichment Program	84.424A	4424	18,887
Education Stabilization Fund - Elementary and Secondary School Emergency Relief (ESSER)	84.425U	4414, 4449, 9414, 9418	264,119
<i>Passed Through State Community Colleges System</i>			
Career and Technical Education	84.048	4048	33,302
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>2,138,904</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through State Department of Education</i>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	7243	882
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	93.981	7982	90,338
TOTAL U.S. DEPARTMENT OF HUMAN SERVICES			<u>91,220</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,976,508</u>

MORGAN COUNTY SCHOOL DISTRICT RE-3
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2025

NOTE 1: Basis of Presentation

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

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

NOTE 2: Summary of Significant Accounting Policies

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

NOTE 3: Indirect Cost Rate

The District has not elected to use the 10.5% de minimis cost rate.

NOTE 4: Subrecipients

The District did not have any Federal awards passed through to subrecipients.

STATE COMPLIANCE



Colorado Department of Education

Auditors Integrity Report

District: 2405 - Fort Morgan Re-3

Fiscal Year 2024-25

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type &Number		Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental		+		-	=
10	General Fund	12,931,239	44,557,793	46,174,511	11,314,521
18	Risk Mgmt Sub-Fund of General Fund	2,076,070	1,083,724	2,514,924	644,870
19	Colorado Preschool Program Fund	164,730	961,494	894,842	231,383
Sub- Total		15,172,039	46,603,011	49,584,277	12,190,773
11	Charter School Fund	0	0	0	0
20,26-29	Special Revenue Fund	0	0	0	0
06	Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
07	Total Program Reserve Fund	0	0	0	0
21	Food Service Spec Revenue Fund	618,803	3,086,614	2,989,545	715,872
22	Govt Designated-Purpose Grants Fund	364,767	1,671,722	1,662,788	373,701
23	Pupil Activity Special Revenue Fund	625,541	465,231	514,604	576,168
25	Transportation Fund	0	0	0	0
31	Bond Redemption Fund	2,777,144	2,783,728	2,702,415	2,858,457
39	Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41	Building Fund	6,090,931	3,606,389	9,055,400	641,920
42	Special Building Fund	0	0	0	0
43	Capital Reserve Capital Projects Fund	0	0	0	0
46	Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals		25,649,225	58,216,694	66,509,028	17,356,891
Proprietary					
50	Other Enterprise Funds	0	0	0	0
64 (63)	Risk-Related Activity Fund	0	0	0	0
60,65-69	Other Internal Service Funds	0	0	0	0
Totals		0	0	0	0
Fiduciary					
70	Other Trust and Agency Funds	0	0	0	0
72	Private Purpose Trust Fund	160,868	367,624	367,050	161,443
73	Agency Fund	0	0	0	0
74	Pupil Activity Agency Fund	0	0	0	0
79	GASB 34:Permanent Fund	0	0	0	0
85	Foundations	0	0	0	0
Totals		160,868	367,624	367,050	161,443

FINAL