

MORGAN COUNTY SCHOOL DISTRICT Re-3



Financial Statements

Fiscal Year Ended June 30, 2021

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

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

Financial Statements

***Fiscal Year Ended
June 30, 2021***

Prepared by the Department of Finance

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Morgan County School District Re-3

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Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morgan County School District RE-3 (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 19, budgetary comparison information on pages 60 through 63, schedule of proportionate share of the net pension liability and contributions on page 58 and schedule of proportionate share of the net OPEB liability and contributions on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules, schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and auditors integrity report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, schedule of expenditures of federal awards, and auditors integrity report are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, schedule of expenditures of federal awards, and auditors integrity report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Moss Adams LLP

Medford, Oregon
April 4, 2022

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

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, 2021. 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, 2021 are as follows:

- The District's total net position increased by \$10,149,006 over the previous year net position. The majority of the increase is represented by an decrease in the District's net pension and postemployment benefit liabilities and deferred inflows for pensions and postemployment benefits in excess of the deferred outflows for pensions and other postemployment benefits over the same groups of accounts from June 30, 2020.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$20,001,927 compared to \$14,845,872 at the close of the prior fiscal year.
- Total ending fund balances for the governmental funds at June 30, 2021 included \$12,526,806 for the General Fund; \$273,688 for the Federal Programs Fund, \$2,905,459 for the Bond Redemption Fund, \$3,580,005 for the Building Fund and \$718,969 in the District's nonmajor governmental fund which represents the District's Food Service Fund. The \$3,580,005 in the Building Fund represents premiums earmarked for completion of the District's High School renovations and ongoing District facility improvements.
- At June 30, 2021, the General Fund had \$120,105 in nonspendable fund balance (inventories and prepaids), \$1,500,000 and \$70,922 in restricted fund balance for emergency reserve (TABOR) and the Colorado Preschool carryover funds respectively and one additional restriction in the amount of \$777,331 for Mill Levy Override funds.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

Financial Highlights (continued)

- The General Fund identified assigned fund balances representing budgetary projects in the amount of \$1,350,527 and \$837,613 representing capital projects. The remaining balance of \$7,867,308 is reported as unassigned fund balance.
- Governmental Activities general revenues accounted for \$30,412,855 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 \$12,184,771 or 29% of total revenues of \$42,597,626.
- Total revenues were \$10,149,006 higher than expenses, which reflected the increase in net position from the prior year.
- The District governmental activities had \$32,448,620 in expenses which included approximately \$6 million 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 2020-2021, the fund balance of the General Fund was \$12,523,806. Of this total, \$7,867,308 was unassigned.

The Federal Programs Fund balance showed a slight increase of \$947 from the prior year resulting in an ending balance of \$273,688.

The Bond Redemption Fund showed revenues in excess expenditures of \$35,852 for an ending balance of \$2,905,459.

The Building Fund had a ending fund balance of \$3,580,005 representing premiums from the February 2015 bond issue and capital lease proceeds from 2021.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

Financial Highlights (continued)

The Food Service Fund is the District's only nonmajor governmental fund. The Food Service Fund showed expenditures in excess of revenues of \$293,781 for an ending balance of \$718,969.

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, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Financial Statements (continued)

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

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

The district wide financial statements can be found on pages 20-21 of this report.

Fund Financial Statements

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

The District has two kinds of funds:

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

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

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 29-57 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 2021 as contained in the Statement of Net Position and compares that information to fiscal year 2020.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

Financial Analysis of the District as a Whole (continued)

As the table shows, total net position as of June 30, 2021 were:

Table 1
Condensed Statement of Net Position

	Total Government Wide		Total Dollar Change	Total Percentage Change
	2021	2020	2021-2020	2021-2020
Assets				
Current Assets	\$ 26,585,347	\$ 21,759,186		0.00%
Net Capital Assets	61,023,662	60,371,063	652,599	1.08%
Total Assets	87,609,009	82,130,249	5,478,760	6.67%
Total Deferred Outflows of Resources	15,731,982	17,477,546	(1,745,564)	(9.99%)
Liabilities				
Other Liabilities	9,178,561	9,182,546	(3,985)	-0.04%
Long-Term Liabilities	78,924,893	74,702,104	4,222,789	5.65%
Total Liabilities	88,103,454	83,884,650	4,218,804	5.03%
Total Deferred Inflows of Resources	24,152,747	34,487,361	(10,334,614)	-29.97%
Net Position				
Net Investment in Capital Assets	36,487,854	41,960,069	(5,472,215)	-13.04%
Restricted	8,833,717	5,270,914	3,562,803	67.59%
Unrestricted	(53,936,781)	(65,995,199)	12,058,418	(18.27%)
Total Net Position	\$ (8,615,210)	\$ (18,764,216)	\$ 10,149,006	(54.09%)

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Financial Analysis of the District as a Whole (continued)

Total net position of the District's governmental activities increased by \$10,149,006 for the fiscal year ended June 30, 2021 which was a \$23,238,162 increase from the \$13,119,156 deficit experienced in 2019-2020. The majority of the increase is represented by a decrease in the District's net pension and postemployment benefit liabilities and deferred inflows for pensions and postemployment benefits compared to that of the deferred outflows for pensions and other postemployment benefits over the same groups of accounts from June 30, 2020.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

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
	2021	2020	2021-2020	2021-2020
Revenues				
Program Revenues				
Charges for Services	\$ 352,285	\$ 517,358	\$ (165,073)	(31.91%)
Operating Grants & Contributions	10,035,205	6,111,277	3,923,928	64.21%
Capital Grants & Contributions	1,797,281	223,571	1,573,710	703.90%
General Revenues				
Property Taxes	12,674,221	12,383,314	290,907	2.35%
State Revenue	17,556,721	20,143,527	(2,586,806)	-12.84%
Insurance Proceeds	-	3,303	(3,303)	(100.00%)
Miscellaneous	126,325	220,947	(94,622)	(42.83%)
Interest Income	55,588	181,700	(126,112)	(69.41%)
Total Revenues	<u>42,597,626</u>	<u>39,784,997</u>	<u>2,812,629</u>	<u>7.07%</u>
Expenses				
Instruction	17,233,192	26,753,918	(9,520,726)	(35.59%)
Supporting Services	12,806,868	23,322,354	(10,515,486)	(45.09%)
Food Services	1,621,455	2,097,088	(475,633)	(22.68%)
Interest	787,105	730,793	56,312	7.71%
Total Expenses	<u>32,448,620</u>	<u>52,904,153</u>	<u>(20,455,533)</u>	<u>(38.67%)</u>
Change In Net Position	<u>\$ 10,149,006</u>	<u>\$ (13,119,156)</u>	<u>\$ 23,268,162</u>	<u>(177.36%)</u>

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Financial Analysis of the District as a Whole (continued)

Governmental Activities

The Statement of Activities on page 21 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

	2021	2020	Total Dollar Change	Total Percent Change
Instruction	\$ (10,058,176)	\$ (22,918,991)	\$ 12,860,815	56.11%
Support Services	(9,802,105)	(21,992,930)	12,190,825	55.43%
Food Services	383,537	(409,233)	792,770	193.72%
Interest on Long-Term Debt	(787,105)	(730,793)	(56,312)	(7.71%)
Total Expenses	\$ (20,263,849)	\$ (46,051,947)	\$ 25,788,098	56.00%

Changes in Fund Balance 2021 to 2020

The following tables (4 through 9) demonstrate a comparison in the changes in fund balances from the 2020 fiscal year to the current 2021 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 67 and 68.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Changes in Fund Balance: 2021 to 2020 (continued)

Table 4: General Department

	<u>2021</u>	<u>2020</u>	<u>Total Dollar Change</u>	<u>Total Percent Change</u>
Revenues:				
Property Taxes	\$ 7,933,226	\$ 7,467,073	\$ 466,153	6.24%
Specific Ownership Taxes	1,053,129	1,050,781	2,348	0.22%
Intergovernmental	6,660,091	3,100,461	3,559,630	114.81%
State Equalization	17,556,721	20,143,527	(2,586,806)	-12.84%
Other	64,662	372,566	(307,904)	-82.64%
Total Revenues	<u>33,267,829</u>	<u>32,134,408</u>	<u>1,133,421</u>	<u>3.53%</u>
Expenditures:				
Salaries	17,685,261	19,170,825	(1,485,564)	-7.75%
Benefits	6,927,656	7,175,974	(248,318)	-3.46%
Purchased Services	1,471,771	2,107,949	(636,178)	-30.18%
Supplies/Materials	2,030,654	1,337,862	692,792	51.78%
Capital Outlay	618,497	309,490	309,007	99.84%
Other (net of indirect cost reimbursement)	321,988	(10,208)	332,196	(3254.27%)
Total Expenditures	<u>29,055,827</u>	<u>30,091,892</u>	<u>(1,036,065)</u>	<u>-3.44%</u>
Excess of Revenues over Expenditures	4,212,002	2,042,516	2,169,486	106.22%
Allocations and Transfers	<u>(1,901,944)</u>	<u>(2,379,226)</u>	<u>477,282</u>	<u>-20.06%</u>
Net Change in Fund Balances	<u><u>\$ 2,310,058</u></u>	<u><u>\$ (336,710)</u></u>	<u><u>\$ 2,646,768</u></u>	<u><u>(786.07%)</u></u>

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Changes in Fund Balance: 2021 to 2020 (continued)

Table 5: Mill Levy Department

	2021	2020	Total Dollar Change	Total Percent Change
Revenues:				
Property Taxes	\$ 551,756	\$ 541,009	\$ 10,747	1.99%
Other	2,139	6,160	(4,021)	(65.28%)
Total Revenues	<u>553,895</u>	<u>547,169</u>	<u>6,726</u>	<u>1.23%</u>
Expenditures:				
Instruction & Supporting Services	381,674	519,023	(137,349)	(26.46%)
Capital Outlay	128,335	62,076	66,259	106.74%
Total Expenditures	<u>510,009</u>	<u>581,099</u>	<u>(71,090)</u>	<u>(12.23%)</u>
Net Change in Fund Balances	<u>\$ 43,886</u>	<u>\$ (33,930)</u>	<u>\$ 77,816</u>	<u>(229.34%)</u>

Table 6: Daycare Department

	2021	2020	Total Dollar Change	Total Percent Change
Revenues:				
Local Sources	\$ 323,790	\$ 174,111	\$ 149,679	85.97%
Other	38,180	30,357	7,823	25.77%
Total Revenues	<u>361,970</u>	<u>204,468</u>	<u>157,502</u>	<u>77.03%</u>
Expenditures:				
Supporting Services	331,334	208,556	122,778	58.87%
Capital Outlay	5,319	-	5,319	100.00%
Total Expenditures	<u>336,653</u>	<u>208,556</u>		
Net Change in Fund Balances	<u>\$ 25,317</u>	<u>\$ (4,088)</u>	<u>\$ 29,405</u>	<u>(719.30%)</u>

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Changes in Fund Balance: 2021 to 2020 (continued)

Table 7: Capital Reserve Department

	2021	2020	Dollar Change	Percent Change
Revenues:				
Intergovernmental	\$ 32,641	\$ 81,403	\$ (48,762)	(59.90%)
Other	36,471	23	36,448	158469.57%
Total Revenues	69,112	81,426	(12,314)	(15.12%)
Expenditures:				
Instruction	-	444	(444)	(100.00%)
Supporting Services	-	16,904	(16,904)	(100.00%)
Noncapital Outlay	136,819	53,794	83,025	154.34%
Capital Outlay	93,193	770,220	(677,027)	(87.90%)
Total Expenditures	230,012	841,362	(611,350)	(72.66%)
Excess of Expenditures over Revenues	(160,900)	(759,936)	599,036	(78.83%)
Allocations and Transfers	519,000	868,332	(349,332)	-40.23%
Net Change in Fund Balances	\$ 358,100	\$ 108,396	\$ 249,704	230.36%

Table 8: Insurance Department

	2021	2020	Dollar Change	Percent Change
Revenues:				
Other Revenue	\$ 10,679	\$ 30,665	\$ (19,986)	100.00%
Investment Earnings	31	513	(482)	-93.96%
Total Revenues	10,710	31,178	(20,468)	(65.65%)
Expenditures:				
Supporting Services	894,994	806,913	88,081	10.92%
Total Expenditures	894,994	806,913	88,081	10.92%
Excess of Revenues over Expenditures	(884,284)	(775,735)	(108,549)	13.99%
Other Financing Sources				
Insurance Proceeds	2,446	3,303	(857)	(25.95%)
Allocations and Transfers	800,000	775,000	25,000	3.23%
Total Other Financing Sources	802,446	778,303	24,143	3.10%
Net Change in Fund Balances	\$ (81,838)	\$ 2,568	\$ (84,406)	(3286.84%)

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Changes in Fund Balance: 2021 to 2020 (continued)

Table 9: Preschool Department

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues:				
Interest Income	\$ 12	\$ 79	\$ (67)	(84.81%)
Local Sources	-	2,880	(2,880)	(100.00%)
Total Revenues	<u>12</u>	<u>2,959</u>	<u>(2,947)</u>	<u>(99.59%)</u>
Expenditures:				
Instruction	533,643	474,765	58,878	12.40%
Supporting Services	21,296	27,964	(6,668)	(23.84%)
Capital Outlay	295	47,294	(46,999)	(99.38%)
Total Expenditures	<u>555,234</u>	<u>550,023</u>	<u>5,211</u>	<u>0.95%</u>
Excess of Expenditures over Revenues	(555,222)	(547,064)	(8,158)	1.49%
Allocations and Transfers	<u>535,263</u>	<u>602,916</u>	<u>(67,653)</u>	<u>(11.22%)</u>
Net Change in Fund Balances	<u>\$ (19,959)</u>	<u>\$ 55,852</u>	<u>\$ (75,811)</u>	<u>(135.74%)</u>

The overall change in the six departments of the General Fund was a \$2,635,564 increase in fund balance. The General Department (Table 4) reflected an decrease in total program funding which consisted of a \$2,586,806 decrease in state equalization and a \$468,501 increase in property and specific ownership tax. Intergovernmental revenue reflected an increase of \$3,559,630. The increased funding along with a reduction in expenditures of \$1,036,065 created an increase in ending fund balance.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

Financial Analysis of the District's Funds

Table 10
Governmental Fund Balances

	2021	2020	Dollar Change	Percent Change
General	\$ 12,523,806	\$ 9,888,242	\$ 2,635,564	26.65%
Federal Programs	273,688	272,741	947	0.35%
Bond Redemption	2,905,459	2,869,607	35,852	1.25%
Building Fund	3,580,005	1,390,094	2,189,911	157.54%
Food Services Fund	718,969	425,188	293,781	69.09%
Total	<u>\$ 20,001,927</u>	<u>\$ 14,845,872</u>	<u>\$ 5,156,055</u>	<u>34.73%</u>

The material change from above was generated from the General Fund, Building Fund and the Food Services Fund with fund balance increases of \$5,119,256.

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 2020-2021 revenue was \$1,800,684 higher than the final budgeted projections excluding inter-department allocations. Total General Fund actual expenditures were \$153,520 less than the final budgeted expenditures. The budgeted savings were mainly accounted for in the General Fund with increased intergovernmental payments and a decrease in the costs of supporting services.

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Financial Analysis of the District's Funds

Of the total expenditures, Instructional expenditures were .86% (\$15,360) lower than the final budget. Budgeted salary and benefits are estimated at full employment and actual salary and benefits reflects the changes in employment throughout the year which normally results in salary savings. The District incurred actual benefit costs lower than the final budget amounts by \$65,705.

Supporting Services had a budget savings which amounted to \$138,160. The majority of those savings were in the other support category where the capital expenditures in the Mill Levy and Capital Reserve Departments were than the final budgeted amount which represents the earmarking of capital projects not completed during the year.

53.85% of the District's total program funding comes from State equalization funding (\$17,556,721), which is a \$2,586,805 decrease from 2019-2020.

Capital Assets and Debt Administration

Table 11
Capital Assets at June 30
Net of Depreciation

	Governmental Activities 2021	Governmental Activities 2020
Land	\$ 322,557	\$ 322,557
Construction in Progress	3,319,213	74,116
Buildings and improvements	89,854,263	89,877,664
Furniture and equipment	5,802,108	5,596,564
Vehicles	2,942,947	3,649,225
Total	102,241,088	99,520,126
Less accumulated depreciation	(41,217,426)	(39,149,063)
Totals	<u>\$ 61,023,662</u>	<u>\$ 60,371,063</u>

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Capital Assets and Debt Administration (continued)

The District had a net increase \$2,720,962 in capital assets cost in 2020-2021 which included \$3,319,213 of construction in process at June 30, 2021. There was a net decrease in the vehicle total of \$21,034.

Long-Term Debt

At June 30, 2021 the District had \$25,003,331 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 \$436,475 in long-term obligations includes compensated absences recorded by the District at year end which was a \$22,406 increase from the prior year. The District entered into a \$3,000,000 capital lease in 2019-2020 to repay the Department of Health and Human Services for its interest in the Head Start wing addition constructed in 2018-2019. The District entered into an additional capital lease in 2020-2021 in the amount of \$4,100,000 to fund the portion of High School renovations not funded by the Colorado BEST grant.

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

	Table 12			
	Long-Term Debt			
	<u>Year End</u>			
	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>Percent Change</u>
General Obligation Bonds	\$ 16,940,000	\$ 18,060,000	\$ (1,120,000)	(6.20%)
Capital Lease Obligation	6,989,000	3,000,000	3,989,000	132.97%
Bond Premium	637,856	1,936,156	(1,298,300)	(67.06%)
Compensated Absences	<u>436,475</u>	<u>414,069</u>	<u>22,406</u>	<u>5.41%</u>
Total	<u>\$ 25,003,331</u>	<u>\$ 23,410,225</u>	<u>\$ 1,593,106</u>	<u>6.81%</u>

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

Morgan County School District Re-3
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2021

Factors Bearing on the District's Future

The Colorado Department of Education has made preliminary projections that there will be some incremental funding increases for 2021-2022 compared to 2020-2021 including allocations from the Federal CARES Act to mitigate the costs the District incurred relative to the COVID virus.

The District's contribution to the PERA retirement plan will be 21.4% for 2021-2022. Future increases are tied to the ongoing funding status of the retirement plan. The District is planning a moderate premium for its health insurance coverage for 2021-2022.

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

Contacting the District's Financial Management

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

Morgan County School District Re-3
Statement of Net Position
June 30, 2021

	Governmental Activities
ASSETS	
Cash and Investments	\$ 15,333,894
Restricted Investments	7,791,993
Receivable from Treasurer	117,272
Property Tax Receivable	713,856
Accounts Receivable	226,118
Intergovernmental Receivable	2,157,925
Prepaid Expenses	152,253
Inventory	92,036
Capital Assets	
Land and water rights	322,557
Construction In Progress	3,319,213
Other Capital Assets - Net of Accumulated Depreciation	<u>57,381,892</u>
Total Assets	<u>87,609,009</u>
Deferred Outflows of Resources	
Deferred Loss on Refunding Bonds	31,048
Other Postemployment Benefit Related Amounts	291,364
Pension related amounts	<u>15,409,570</u>
Total Deferred Outflows of Resources	<u>15,731,982</u>
LIABILITIES	
Accounts Payable	2,558,905
Due to Other Governments	327
Accrued Salaries and Benefits	3,028,647
Accrued Interest Payable	39,740
Other accruals	11,652
Internal Balance - Due to Fiduciary Fund	10,416
Insurance Escrow	89,038
Unearned Revenue	458,973
Noncurrent Liabilities	
Due Within One Year	2,980,863
Due in More Than One Year	22,022,468
Net Pension Liability	54,906,025
Other Postemployment Benefit Liability	<u>1,996,400</u>
Total Liabilities	<u>88,103,454</u>
Deferred Inflows of Resources	
Other Postemployment Benefit Related Amounts	804,002
Pension related amounts	<u>23,048,745</u>
Total Deferred Inflows of Resources	<u>23,852,747</u>
NET POSITION (DEFICIT)	
Net Investment in Capital Assets	36,487,854
Restricted for	
Emergency Reserve (TABOR)	1,500,000
Capital and Maintenance	4,357,336
Debt Service	2,905,459
Preschool	70,922
Unrestricted (Deficit)	<u>(53,936,781)</u>
Total Net Position (Deficit)	<u>\$ (8,615,210)</u>

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

Morgan County School District Re-3
Statement of Activities
For the Fiscal Year Ended June 30, 2021

	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
<u>FUNCTIONS/PROGRAMS</u>					
PRIMARY GOVERNMENT					
Governmental Activities					
Instruction	\$ 17,233,192	\$ 30,763	\$ 5,346,972	\$ 1,797,281	\$ (10,058,176)
Supporting Services	12,806,868	306,370	2,698,393	-	(9,802,105)
Food Services	1,621,455	15,152	1,989,840	-	383,537
Interest on Long-Term Debt	787,105	-	-	-	(787,105)
Total Governmental Activities	<u>\$ 32,448,620</u>	<u>\$ 352,285</u>	<u>\$ 10,035,205</u>	<u>\$ 1,797,281</u>	<u>(20,263,849)</u>
GENERAL REVENUES					
Property and Specific Ownership Taxes					12,674,221
State Equalization					17,556,721
Miscellaneous					126,325
Interest Income					55,588
TOTAL GENERAL REVENUES					<u>30,412,855</u>
CHANGE IN NET POSITION					10,149,006
NET POSITION - BEGINNING OF YEAR (DEFICIT)					<u>(18,764,216)</u>
NET POSITION - END OF YEAR (DEFICIT)					<u>\$ (8,615,210)</u>

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

Morgan County School District Re-3
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Federal Programs Fund	Bond Redemption Fund	Building Fund	Nonmajor Food Service Fund	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 14,058,217	\$ 725,333	\$ -	\$ -	\$ 550,344	\$ 15,333,894
Restricted Investments	-	-	2,878,845	4,913,148	-	7,791,993
Receivable from Treasurer	104,628	-	12,644	-	-	117,272
Property and S.O. Tax Receivable	535,427	-	178,429	-	-	713,856
Accounts Receivable	225,111	300	-	-	707	226,118
Intergovernmental Receivables	627,267	229,795	-	983,888	316,975	2,157,925
Interfund Receivable	530,745	202,043	-	41,240	1,311	775,339
Prepaid Expenditures	103,296	821	-	47,324	812	152,253
Inventory	62,733	-	-	-	29,303	92,036
Total Assets	\$ 16,247,424	\$ 1,158,292	\$ 3,069,918	\$ 5,985,600	\$ 899,452	\$ 27,360,686
LIABILITIES						
Accounts Payable	\$ 301,974	\$ 17,627	\$ -	\$ 2,227,521	\$ 11,783	\$ 2,558,905
Hospital Escrow	11,652	-	-	-	-	11,652
Accrued Salaries and Benefits	2,855,929	156,997	-	-	15,721	3,028,647
Due to Other Governments	-	327	-	-	-	327
Interfund Payables	259,004	283,349	1,387	89,036	152,979	785,755
Unearned Revenue	32,669	426,304	-	-	-	458,973
Insurance Escrow	-	-	-	89,038	-	89,038
Total Liabilities	3,461,228	884,604	1,387	2,405,595	180,483	6,933,297
Deferred Inflows of Resources						
Taxes	262,390	-	163,072	-	-	425,462
Total Deferred Inflows of Resources	262,390	-	163,072	-	-	425,462
Fund Balances:						
Nonspendable						
Prepaid Expenditures	36,755	-	-	-	812	37,567
Inventory	83,350	-	-	-	29,303	112,653
Restricted						
Emergency Reserve (TABOR)	1,500,000	-	-	-	-	1,500,000
Capital Construction	-	-	-	3,580,005	-	3,580,005
Mill Levy - Capital and Maintenance	777,331	-	-	-	-	777,331
Debt Service	-	-	2,905,459	-	-	2,905,459
Preschool	70,922	-	-	-	-	70,922
Assigned						
Subsequent Year's Budget	1,350,527	-	-	-	-	1,350,527
Food Service	-	-	-	-	2,077	2,077
Capital Projects/Replacements	837,613	-	-	-	686,777	1,524,390
District Grant Funding Set Aside	-	273,688	-	-	-	273,688
Unassigned	7,867,308	-	-	-	-	7,867,308
Total Fund Balances	12,523,806	273,688	2,905,459	3,580,005	718,969	20,001,927
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 16,247,424	\$ 1,158,292	\$ 3,069,918	\$ 5,985,600	\$ 899,452	\$ 27,360,686

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

Morgan County School District Re-3 **Reconciliation of the Balance Sheet - Governmental Funds** **to the Statement of Net Position** **June 30, 2021**

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

Total fund balances	\$ 20,001,927
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	61,023,662
Certain long-term assets, including property taxes and grants receivable, are not available to pay current year expenditures and, therefore, are deferred in the funds.	
Taxes	425,462
Long-term liabilities and related items are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(436,475)
Bonds payable	(16,940,000)
Bond premium	(637,856)
Deferred loss on bond refunding	31,048
Accrued interest	(39,740)
Capital lease obligations	(6,989,000)
Net pension liability and related deferrals	(62,545,200)
OPEB liability and related deferrals	<u>(2,509,038)</u>
Total Net Position of Governmental Activities	<u>\$ (8,615,210)</u>

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

Morgan County School District Re-3
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2021

	General	Federal Programs Fund	Bond Redemption Fund	Building Fund	Nonmajor Food Service Fund	Total Governmental Funds
Revenues:						
Property Taxes	\$ 8,484,982	\$ -	\$ 3,143,454	\$ -	\$ -	\$ 11,628,436
Specific Ownership Taxes	1,053,129	-	-	-	-	1,053,129
Intergovernmental	6,725,888	1,785,578	-	1,329,109	1,985,030	11,825,605
State Equalization	17,556,721	-	-	-	-	17,556,721
Interest Income	41,939	947	10,914	1,569	219	55,588
Other	57,642	-	27	-	38,894	96,563
Local Sources	343,227	23,618	-	-	19,638	386,483
Total Revenues	<u>34,263,528</u>	<u>1,810,143</u>	<u>3,154,395</u>	<u>1,330,678</u>	<u>2,043,781</u>	<u>42,602,525</u>
Expenditures:						
Current						
Instruction	17,574,941	698,482	-	-	-	18,273,423
Supporting Services	12,881,407	1,124,433	3,750	40,507	-	14,050,097
Food Services	-	-	-	-	1,741,016	1,741,016
Debt Service						
Principal	111,000	-	2,335,000	-	-	2,446,000
Interest	88,041	-	779,793	-	-	867,834
Non Capital Outlay	755,374	17,213	-	-	-	772,587
Capital Outlay	171,966	16,749	-	3,200,260	8,984	3,397,959
Total Expenditures	<u>31,582,729</u>	<u>1,856,877</u>	<u>3,118,543</u>	<u>3,240,767</u>	<u>1,750,000</u>	<u>41,548,916</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,680,799</u>	<u>(46,734)</u>	<u>35,852</u>	<u>(1,910,089)</u>	<u>293,781</u>	<u>1,053,609</u>
Other Financing Sources (Uses):						
Insurance Proceeds	2,446	-	-	-	-	2,446
Capital Lease Proceeds	-	-	-	4,100,000	-	4,100,000
Bond Defeasement and Deferred Charge	-	-	(7,925,375)	-	-	(7,925,375)
Bond Issuance costs	-	-	(34,625)	-	-	(34,625)
Bond Issued	-	-	7,960,000	-	-	7,960,000
Transfers In	-	47,681	-	-	-	47,681
Transfers Out	(47,681)	-	-	-	-	(47,681)
Total Other Financing Sources (Uses)	<u>(45,235)</u>	<u>47,681</u>	<u>-</u>	<u>4,100,000</u>	<u>-</u>	<u>4,102,446</u>
Net Change in Fund Balances	2,635,564	947	35,852	2,189,911	293,781	5,156,055
Fund Balances - Beginning of the Year	<u>9,888,242</u>	<u>272,741</u>	<u>2,869,607</u>	<u>1,390,094</u>	<u>425,188</u>	<u>14,845,872</u>
Fund Balances - End of the Year	<u>\$ 12,523,806</u>	<u>\$ 273,688</u>	<u>\$ 2,905,459</u>	<u>\$ 3,580,005</u>	<u>\$ 718,969</u>	<u>\$ 20,001,927</u>

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

Morgan County School District Re-3

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2021

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

Net Change in Fund Balances of Governmental Funds.	\$	5,156,055
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Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. In addition, the net gain or loss resulting from the sale or disposal of assets is reflected as income or expenses in the statement of activities but that gain or loss is not recorded on the governmental fund financial statements. Further, the proceeds from the sale of those same capital assets are recorded as revenues in the fund statements but not in the statement of activities.

Loss on disposal	(195,147)	
Depreciation expense	(2,772,900)	
Net capital outlays	3,620,646	652,599

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items as follows:

Reduction of bond premium from refunding	1,036,760	
Amortization of bond premium	261,540	
Amortization of deferred loss on refunding bonds	(74,511)	1,223,789

Governmental funds report capital lease proceeds as other financing resources. Repayments of bond principal and repayments of other long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not effect the statement of activities. The following summarizes the District's bond and other long-term debt transactions for the fiscal year:

Proceeds from the issuance of capital lease obligation		(4,100,000)
Proceeds from bond refunding		(7,960,000)
Bond defeasement		6,745,000
Repayment of bond principal and capital leases		2,446,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount represents the change in accrued interest payable.

37,314

In the statement of activities, certain operating expenses - compensated absences (sick leave), net pension liability and OPEB, and deferred inflows and outflows are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). These amounts represent the net effect of compensated absences payable, pension and OPEB liability and related deferred inflows and outflows reported on the statement of activities.

Compensated absences	(22,406)	
Change in the net pension liability and related deferrals	5,839,681	
Change in the net other postemployment benefit liability and related deferrals	138,318	5,955,593

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

Change in deferred property taxes		(7,344)
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Change in net position of governmental activities.	\$	10,149,006
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The accompanying notes are an integral part of the basic financial statements.

Morgan County School District Re-3
Statement of Fiduciary Net Position
June 30, 2021

	Private-Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Investments	\$ 138,903	\$ 617,170
Prepaid Expenses	-	2,249
Interfund Receivable	-	11,031
Accounts Receivable	-	383
Total Assets	138,903	630,833
LIABILITIES		
Due To Student/Community Organizations	-	-
Funds Held for Others	-	-
Interfund Accounts Payable	-	614
Accounts Payable	-	3,928
Total Liabilities	-	4,542
FIDUCIARY NET POSITION		
Held in Trust for Scholarships/Students	50,493	626,291
Held in Trust for Endowments	88,410	-
Total Net Position	\$ 138,903	\$ 626,291

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

Morgan County School District Re-3
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2021

	Private-Purpose Trust Fund	Custodial Fund
	<hr/>	<hr/>
Additions:		
Contributions and Donations	\$ 192,275	\$ -
Fees	-	218,792
Interest Income	293	163
	<hr/>	<hr/>
Total Additions	192,568	218,955
	<hr/>	<hr/>
Deductions:		
Purchased services	-	86,445
Supplies	-	155,224
Other	-	22,402
Noncapital	-	2,462
Capital expenditures	-	5,199
Scholarship Awards	193,625	-
	<hr/>	<hr/>
Total Deductions	193,625	271,732
	<hr/>	<hr/>
Change in Fiduciary Net Position	(1,057)	(52,777)
	<hr/>	<hr/>
Net Position Beginning of the Year, as originally reported	139,960	-
	<hr/>	<hr/>
Restatement (adoption of GASB 84 - Note 1)	-	679,068
	<hr/>	<hr/>
Net Position - Beginning of the Year	139,960	679,068
	<hr/>	<hr/>
Net Position - End of the Year	\$ 138,903	\$ 626,291
	<hr/> <hr/>	<hr/> <hr/>

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

Morgan County School District Re-3

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Fund Accounting

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

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

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

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

Morgan County School District Re-3

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Custodial Fund – The Custodial Fund is custodial in nature and does not present results of operations or a measurement focus. The custodial fund is accounted for using the accrual basis of accounting. The fund is used to account for assets that the District holds for others in a custodial capacity. The High School Student Activity Fund is reported in the Custodial Fund.

Basis of Presentation

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

Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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

Morgan County School District Re-3

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

The fiduciary funds are reported using the economic resources measurement focus. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Basis of Accounting

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

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

Morgan County School District Re-3

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

Estimates

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

Interfund Receivables/Payables

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

Morgan County School District Re-3

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

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

Inventories

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

Capital Assets

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

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

All reported capital assets are depreciated (excluding land, water rights, and construction in progress). Improvements are depreciated over the remaining useful lives of the related capital assets.

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Morgan County School District Re-3

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

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

Bond Premiums and Issuance Costs

In the government-wide financial statements, bond premiums are amortized over the life of the bonds using the straight line method. Bond issuance costs are reported as current expenses. Losses from bond refunding are deferred and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

Premiums on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

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

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

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

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

Morgan County School District Re-3

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Pensions and Post-employment Benefits Other Than Pensions (OPEB)

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

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

Fund Balances

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

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

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

Net position is reported as restricted when there are constraints imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Morgan County School District Re-3

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Interfund Transactions

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

Compensated Absences/Early Retirement Program

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

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

New Accounting Pronouncements

During the fiscal year ended June 30, 2021, the District implemented the following GASB pronouncement:

GASB Statement No. 84 - Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments, with separate criteria to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement defines the reporting requirements for such activities. Criteria had to be met in order for funds to be reported as "custodial funds." The result of the application of these criteria was that several funds previously reported as "agency funds" were no longer classified as a fiduciary activity and thereby reported in the appropriate operating funds of the District; other "agency funds" that met the criteria, are now reported as "custodial funds."

Beginning net position has been reported in the amount of \$679,068 in the High School Activity Student Fund, the custodial fund that met the criteria of GASB 84. The effective date for GASB Statement No. 84 for the District was originally required for financial statements starting with the fiscal year that ends December 31, 2020. With the extension granted by GASB Statement No. 95, the new required implementation date for the District is for the fiscal year that ends June 30, 2021. The District adopted this standard and reported custodial fund activity in the new format in the Statement of Fiduciary Net Position at June 30, 2021 and in the Statement of Changes in Fiduciary Net Position for the fiscal year ending June 30, 2021.

Morgan County School District Re-3

Notes to the Financial Statements

Note 2 – Cash and Investments

Cash and Deposits

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

The market value of the assets in the pool must be at least equal to 102% of the uninsured deposits. At June 30, 2021, the District had bank deposits of \$3,801,283 collateralized with securities held by the financial institutions agents but not in the District's name.

Investments

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

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

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

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

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

Morgan County School District Re-3

Notes to the Financial Statements

Note 2 – Cash and Investments (continued)

Fair Value Measurements – At June 30, 2021, the District's investments in the local government investment pools and money market fund were reported at the net asset value per share.

The District invested in COLOTRUST and CSAFE throughout the fiscal year. At June 30, 2021, the District had the following investments:

Investments	Maturities	Total
COLOTRUST	Less than one year	\$ 9,769,683
CSAFE	Less than one year	6,882,059
Federated Government Obligation Money Market Fund	Less than one year	<u>2,878,845</u>
Total		<u><u>\$ 19,530,587</u></u>

The cash held in the money market fund \$2,878,845 is required to be used for the payment of long term debt (see Note 8) and \$4,743,409 held in CSAFE is required to be used for capital construction.

	Investments	Cash	Total Cash & Investments
Combined General Fund			
General Department	\$ 10,846,770	\$ 1,052,765	\$ 11,899,535
Mill Levy Department	484,567	309,943	794,510
Daycare Department	8,080	174,025	182,105
Capital Reserve Department	1,501	815,339	816,840
Insurance Department	33,011	254,787	287,798
Colorado Preschool Department	1,208	76,221	77,429
Total Combined General Fund	<u>11,375,137</u>	<u>2,683,080</u>	<u>14,058,217</u>
Federal Programs Fund	179,534	545,799	725,333
Bond Redemption Fund	2,878,845	-	2,878,845
Building Fund	4,913,147	1	4,913,148
Food Services Fund	97,309	453,035	550,344
Private Purpose Trust Fund	-	138,903	138,903
Custodial Fund	<u>86,615</u>	<u>530,555</u>	<u>617,170</u>
Total Cash and Investments	19,530,587	4,351,373	23,881,960
Less Cash Held By Third Parties			
General Fund Department			
BEST Health Trust (See Note 15)	<u>-</u>	<u>(500,000)</u>	<u>(500,000)</u>
Total Cash and Investments Held By District	<u><u>\$ 19,530,587</u></u>	<u><u>\$ 3,851,373</u></u>	<u><u>\$ 23,381,960</u></u>

Morgan County School District Re-3

Notes to the Financial Statements

Note 3 – Property Taxes

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

Note 4 – Interfund Balances and Transactions

The District reports interfund balances between many of its funds. These balances result from a time lag between the dates interfund goods and services are provided or reimbursable expenditures occur and payments between funds occur. On the fund financial statements, interfund receivables and payables as of June 30, 2021 consist of the following:

	Interfund Receivables	Interfund Payables
General Fund		
General Fund Department	\$ 452,079	\$ 250,414
Mill Levy Maintenance	957	3,555
Daycare	17,288	3,000
Capital Reserve	20,773	-
Colorado Preschool Department	39,648	2,035
Total General Fund	<u>530,745</u>	<u>259,004</u>
Federal Programs Fund	202,043	283,349
Bond Redemption Fund	-	1,387
Building Fund	41,240	89,036
Food Service Fund	1,310	152,979
Total Governmental Funds	<u>775,338</u>	<u>785,755</u>
Pupil Activity Fund	<u>11,031</u>	<u>614</u>
Total	<u><u>\$ 786,369</u></u>	<u><u>\$ 786,369</u></u>

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

The interfund transfers for the fiscal year ended June 30, 2021 are as follows:

	Transfers In	Transfers Out
<u>Governmental Funds:</u>		
General Fund	\$ -	\$ 47,681
Federal Programs	\$ 47,681	\$ -

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

Morgan County School District Re-3

Notes to the Financial Statements

Note 5 – Capital Assets

For the year ended June 30, 2021, the District charged \$2,270,548 and \$502,352 in depreciation expense to instruction and supporting services, respectively.

Activity of depreciated capital assets for the fiscal year ended June 30, 2021 is as follows:

Governmental Activities

	Balance 6/30/2020	Additions	Deletions	Balance 6/30/2021
Non-depreciable capital assets:				
Land and Water Rights	\$ 322,557	\$ -	\$ -	\$ 322,557
Construction in Progress	74,116	3,311,494	(66,397)	3,319,213
Total Non-depreciable Assets	396,673	3,311,494	(66,397)	3,641,770
Capital Assets Being Depreciated				
Buildings and improvements	89,877,664	150,712	(174,113)	89,854,263
Furniture and Equipment	5,596,564	205,544	-	5,802,108
Vehicles	3,649,225	19,293	(725,571)	2,942,947
Total Capital Assets Being Depreciated	99,123,453	375,549	(899,684)	98,599,318
Less accumulated depreciation for:				
Buildings and improvements	(32,483,901)	(2,342,613)	-	(34,826,514)
Furniture and Equipment	(3,651,379)	(278,695)	-	(3,930,074)
Vehicles	(3,013,783)	(151,592)	704,537	(2,460,838)
Total Accumulated Depreciation	(39,149,063)	(2,772,900)	704,537	(41,217,426)
Total Capital Assets Being Depreciated	59,974,390	(2,397,351)	(195,147)	57,381,892
Net Capital Assets				
Governmental Activities	\$ 60,371,063	\$ 914,143	\$ (261,544)	\$ 61,023,662

- 1) Construction In Progress: \$7,719 still in Progress for Legion Field Complex
- 2) Buildings and Improvements: \$(174,113) this amount was added as a Capital Asset being Depreciated in 2020 with completion date of June 30, 2020; no depreciation amount was taken. The project was not completed as of that date. Moved expenses back into Projects in Progress and out of Assets being Depreciated.

Morgan County School District Re-3

Notes to the Financial Statements

Note 6 – Accrued Salaries and Benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately ten months. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements. At June 30, 2021, accrued salaries and benefits were as follows:

General Fund	
General Fund Department	\$ 2,784,985
Daycare Department	26,824
Colorado Preschool Department	44,120
Total General Fund	<u>2,855,929</u>
Federal Programs Fund	156,997
Food Service Fund	<u>15,721</u>
Total Governmental Activities	<u><u>\$ 3,028,647</u></u>

Note 7 – Changes in Long-Term Debt

The changes in governmental activities long-term debt for the year ended June 30, 2021 are as follows:

	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021	Due Within One Year
Bonds Payable	\$ 18,060,000	\$ 7,960,000	\$ 9,080,000	\$ 16,940,000	\$ 2,545,000
Capital Lease Obligation	3,000,000	4,100,000	111,000	6,989,000	275,000
Bond Premium	1,936,156	-	1,298,300	637,856	-
Compensated Absences	414,069	436,475	414,069	436,475	160,863
	<u>\$ 23,410,225</u>	<u>\$ 12,496,475</u>	<u>\$ 10,903,369</u>	25,003,331	<u>\$ 2,980,863</u>
Less Amount Due Within One Year				<u>(2,980,863)</u>	
Due in More Than One Year				<u><u>\$ 22,022,468</u></u>	

Compensated absences will be liquidated by the General Fund.

Morgan County School District Re-3

Notes to the Financial Statements

Note 8 – Bonds Payable

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

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

<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal Maturing For Year</u>	<u>Interest Requirement</u>	<u>Total</u>
2021-2022	5.00%	\$ 1,580,000	\$ 39,500	\$ 1,619,500
		<u>\$ 1,580,000</u>	<u>\$ 39,500</u>	<u>\$ 1,619,500</u>

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

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

The General Obligation Bonds are summarized as follows:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal Maturing For Year</u>	<u>Interest Requirement</u>	<u>Total</u>
2021-2022	4.00%	\$ 425,000	\$ 205,737	\$ 630,737
2022-2023	4.00%	940,000	181,850	1,121,850
2023-2024	4.00%	975,000	145,900	1,120,900
2024-2025	4.00%	1,010,000	106,200	1,116,200
2026-2027	4.00%	<u>2,150,000</u>	<u>86,800</u>	<u>2,236,800</u>
		<u>\$ 5,500,000</u>	<u>\$ 726,487</u>	<u>\$ 6,226,487</u>

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

Morgan County School District Re-3

Notes to the Financial Statements

Note 8 – Bonds Payable (continued)

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

The General Obligation Bonds are summarized as follows:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal Maturing For Year</u>	<u>Interest Requirement</u>	<u>Total</u>
2021-2022	5.00%	\$ 440,000	\$ 76,000	\$ 516,000
2022-2023	5.00%	465,000	61,375	526,375
2023-2024	5.00%	485,000	37,625	522,625
2024-2025	5.00%	510,000	12,750	522,750
		<u>\$ 1,900,000</u>	<u>\$ 187,750</u>	<u>\$ 2,087,750</u>

Bonds Payable, 2021 Series – In June, 2021 the District issued \$7,960,000 in taxable general obligation refunding bonds to refinance the District's Series 2015 general obligation bonds in the amount of \$6,745,000 which mature from December 1, 2025 to December 1, 2034. The Series 2015 bonds are subject to prior redemption on December 1, 2024. Series 2021 bond proceeds were used to fund an escrow account to pay the principal and interest on the callable Series 2015 bonds up and until the December 1, 2024 call date as well as redeem the remaining Series bonds on December 1, 2024 and pay costs of issuance. The result of the refinancing was a total debt service reduction (considering both principal and interest) of \$620,343.

The Series 2021 taxable general obligation bonds are dated June 10, 2021, mature on December 1 with interest payable semi-annually on June 1 and December 1, commencing on December 1, 2021. The bonds mature on December 1, 2034 and are subject to optional call on December 1, 2032 at a price of par plus accrued interest.

<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal Maturing For Year</u>	<u>Interest Requirement</u>	<u>Total</u>
2021-2022	0.37%	\$ 100,000	\$ 69,008	\$ 169,008
2022-2023	0.47%	150,000	137,739	287,739
2023-2024	0.69%	155,000	137,097	292,097
2024-2025	1.02%	155,000	136,198	291,198
2025-2026	1.22%	690,000	132,144	822,144
2026-2031	1.47-2.05%	3,585,000	511,416	4,096,416
2031-2035	2.20-2.40%	3,125,000	146,245	3,271,245
		<u>\$ 7,960,000</u>	<u>\$ 1,269,847</u>	<u>\$ 9,229,847</u>

Morgan County School District Re-3

Notes to the Financial Statements

Note 9 – Capital Lease Obligations

In the 2017-2018 fiscal year, the District received a Head Start capital construction grant from the Department of Health and Human Services (HHS) for the construction of a new wing addition to the District school known as the Sherman Early Childhood Center. The District finished construction of the wing addition in the fall of 2018. Subsequent to the completion of the addition in the spring of 2019, the regional office of Head Start informed the District that the annual operations Head Start grant for 2019-2020 fiscal year had been awarded to another entity.

Based on that grant awarding decision from Head Start, the Board of Education determined that the District would repay Head Start for the previously awarded and received capital construction grant and thereby release the established and recorded Federal Interest in the Sherman Early Childhood Center.

In December 2019, the District entered into a Site Lease agreement with a lender in the amount of \$3,000,000. The proceeds of the Site Lease were utilized to repay HHS for the previously awarded capital construction grant. The Federal Interest in the Sherman Early Childhood Center as previously recorded was in turn released by HHS.

Simultaneous to the origination of the Site Lease, the District entered into a Lease Purchase Agreement with the same lender for twenty, one-year lease terms subject to annual appropriation by the Board of Education. The annual rental payments under the lease agreement are approximately \$200,000 per year with the interest component of the lease payable on June 1 and December 1 and the principal portion payable on December 1.

The annual lease payments are not subject to prepayment through November 30, 2024. Annual lease payments from December 1, 2024 through November 30, 2027 are subject to a prepayment premium of 2.00% and annual lease payments from December 1, 2027 through November 30, 2029 are subject to a prepayment premium of 1.00%. The District has pledged the elementary school known as Baker Elementary School as collateral on the Lease Purchase agreement.

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

Note 9 – Capital Lease Obligations (continued)

The General Obligation Lease Payments are summarized as follows:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal Maturing Per Year</u>	<u>Interest Requirement</u>	<u>Total Minimum Lease Payments</u>
2021-2022	2.99%	\$ 115,000	\$ 84,662	\$ 199,662
2022-2023	2.99%	118,000	81,178	199,178
2023-2024	2.99%	122,000	77,591	199,591
2024-2025	2.99%	126,000	73,883	199,883
2025-2030	2.99%	687,000	309,928	996,928
2030-2035	2.99%	798,000	199,044	997,044
2035-2039	2.99%	923,000	70,340	993,340
		<u>\$ 2,889,000</u>	<u>\$ 896,626</u>	<u>\$ 3,785,626</u>

In the 2020-2021 fiscal year, the District entered into a capital lease with Vectra for the purpose of funding renovation cost at the High School that would not be covered by the CDE BEST construction grant.

The annual lease payments are not subject to prepayment. The lease interest rate is 2.22%. The District has pledged the elementary school known as Sherman Early Childhood Center as collateral on the Lease Purchase agreement.

The General Obligation Lease Payments are summarized as follows:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Rent Principal Component</u>	<u>Rent Interest Component</u>	<u>Total Annual / Multi-Year Rent</u>
2021-2022	2.22%	\$ 160,000	\$ 101,127	\$ 261,127
2022-2023	2.22%	245,000	84,749	329,749
2023-2024	2.22%	250,000	79,254	329,254
2024-2025	2.22%	255,000	73,649	328,649
2025-2030	2.22%	1,355,000	280,219	1,635,219
2030-2035	2.22%	1,835,000	124,929	1,959,929
		<u>\$ 4,100,000</u>	<u>\$ 743,927</u>	<u>\$ 4,843,927</u>

Morgan County School District Re-3

Notes to the Financial Statements

Note 10 – Defined Benefit Pension Plan

General Information

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

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

Retirees may elect to withdraw their contributions upon termination of employment and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Thereafter, retirees will receive an annual increase of the lesser of 1.5% or the average consumer price index for the prior calendar year, with certain limitations. The automatic adjustment provision specified in State statutes may raise or lower the aforementioned annual increase for a given year by up to 0.25%.

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

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

Contributions

The District and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees was 10.9% of covered salaries. The District's contribution rate for calendar year 2020, and through June 30, 2021, was 19.88% of covered salaries. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (see Note 11). The District's contributions to the SDTF for the year ended June 30, 2021 were \$3,812,846, equal to the required contributions

Morgan County School District Re-3

Notes to the Financial Statements

Note 10 – Defined Benefit Pension Plan (continued)

Effective July 1, 2021, employee and employer contribution rates are 10.5% and 20.9%, respectively. As provided in the automatic adjustment provision specified in State statutes, member and employer contributions will adjust annually beginning July 1, 2020, to ensure that PERA is able to eliminate its unfunded liability. Both member and employer contribution rates can increase (or decrease) each year, not to exceed an additional 2%.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability. The amount recognized by the District as its proportionate share of the net pension liability were as follows:

District's proportionate share of the net pension liability	\$ 54,906,025
State's proportionate share of the net pension liability associated with the District	<u>-</u>
Total	<u><u>\$ 54,906,025</u></u>

At June 30, 2021, the District reported a net pension liability of \$54,906,025 representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total pension liability to December 31, 2020.

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, 2020, relative to the contributions of all participating employers. At December 31, 2020, the District's proportion was 0.36319%, which was a decrease of 0.019196% from its proportion measured at December 31, 2019. However, House Bill (HB) 20-1379 suspended the State's direct distribution for the subsequent fiscal year beginning July 1, 2020.

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

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

Note 10 – Defined Benefit Pension Plan (continued)

For the year ended June 30, 2021, the District recognized pension expense (income) of (\$2,000,437). At June 30, 2021, 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	\$ 3,016,813	\$ -
Changes of assumptions and other inputs	5,281,790	9,229,233
Net difference between projected and actual earnings on plan investments	-	12,086,059
Changes in proportion	4,726,581	1,733,453
Contributions subsequent to the measurement date	<u>2,384,386</u>	<u>-</u>
	<u><u>\$ 15,409,570</u></u>	<u><u>\$ 23,048,745</u></u>

District contributions subsequent to the measurement date of \$2,384,386 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	
2022	\$ (8,826,492)
2023	2,603,870
2024	<u>(3,800,939)</u>
Total	<u><u>\$ (10,023,561)</u></u>

Morgan County School District Re-3

Notes to the Financial Statements

Note 10 – Defined Benefit Pension Plan (continued)

Actuarial Assumptions

The actuarial valuation as of December 31, 2019, determined the total pension liability using the following actuarial assumptions and other inputs:

	<u>Assumptions</u>
Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
Hired prior to 1/1/07	1.25%
Hired after 12/31/06	Financed by the AIR

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

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

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

Morgan County School District Re-3

Notes to the Financial Statements

Note 10 – Defined Benefit Pension Plan (continued)

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

Asset Class	Target Allocation	30-Year Expected Geometric Real Rates of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	6.00%	4.70%
	100.00%	

Discount Rate

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as the District's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 74,896,315	\$ 54,906,025	\$ 38,247,526

Morgan County School District Re-3

Notes to the Financial Statements

Note 10 – Defined Benefit Pension Plan (continued)

Pension Plan Fiduciary Net Position

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

Note 11 – Post-employment Healthcare Benefits

General Information

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

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

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

Contributions – As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the District's contributions to the School Division Trust Fund (SDTF) (see Note 10) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The District's apportionment to the HCTF for the year ended June 30, 2021 was \$195,839, equal to the required amount.

Morgan County School District Re-3

Notes to the Financial Statements

Note 11 – Post-employment Healthcare Benefits (continued)

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

At June 30, 2021, the District reported a net OPEB liability of \$1,996,400, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019.

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, 2020, relative to the contributions of all participating employers. At December 31, 2020, the District's proportion was 0.210098%, which was an increase of 0.0146% from its proportion measured at December 31, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$49,203. At June 30, 2021, 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	\$ 5,302	\$ 438,906
Changes of assumptions and other inputs	14,919	122,417
Net difference between projected and actual earnings on plan investments	-	81,575
Changes in proportion	148,159	161,104
Contributions subsequent to the measurement date	122,984	-
	<u>291,364</u>	<u>-</u>
Total	<u>\$ 291,364</u>	<u>\$ 804,002</u>

District contributions subsequent to the measurement date of \$122,984 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	
2022	\$ (133,729)
2023	(122,309)
2024	(147,330)
2025	(144,136)
2026	(88,118)
	<u>(635,622)</u>
Total	<u>\$ (635,622)</u>

Morgan County School District Re-3

Notes to the Financial Statements

Note 11 – Post-employment Healthcare Benefits (continued)

Actuarial Assumptions

The actuarial valuation as of December 31, 2019, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Healthcare cost resnd rates	
Service-based remium subsidy	0.00%
Medicare plans	
8.10% for 2020, gradually decreasing to 4.50% in 2029	8.10%
Medicare part A premiums	
3.50% for 2020, gradually rising to 4.50% in 2029	3.50%

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

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

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

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

Morgan County School District Re-3

Notes to the Financial Statements

Note 11 – Post-employment Healthcare Benefits (continued)

Discount Rate

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 2,286,912	\$ 1,996,400	\$ 1,748,180

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 3% to 5%, as well as the District's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ 1,944,800	\$ 1,996,400	\$ 2,056,469

OPEB Plan Fiduciary Net Position

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

Morgan County School District Re-3

Notes to the Financial Statements

Note 12 – Jointly Governed Organization

The District participates in Centennial Board of Cooperative Education Services. Membership allows the District to provide special and extended services to the students of the District that previously were not economically possible. Centennial BOCES receives funding from local, state, and federal sources to provide a portion of the direct costs of each program, as well as billing the member districts for services provided. For the year ended June 30, 2021, the District paid \$190,602 for those services, which included \$8,076 paid for administrative services. Separate financial statements for the BOCES are available at 2020 Clubhouse Drive, Greeley, CO, 80634.

Note 13 – Tax, Spending, and Debt Limitations

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

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

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

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

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

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

The amendment requires Emergency Reserves to be established. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. As of June 30, 2021, the District has restricted fund balance of \$1,500,000 in the General Fund for this reserve.

Morgan County School District Re-3

Notes to the Financial Statements

Note 13 – Tax, Spending, and Debt Limitations (continued)

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

Note 14 – Contingencies/Commitments

Grants

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

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

However, in the opinion of the District, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2021.

Note 15 – Risk Management

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

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

Colorado School Districts Self-Insurance Pool

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

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

Morgan County School District Re-3

Notes to the Financial Statements

Note 15 – Risk Management (continued)

BEST Health Plan

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

The District pays a monthly premium to BEST to provide health insurance coverage and services for its plan members. Employees are responsible for paying a deductible amount before the plan begins to pay. The individual deductible amount for fiscal year 2021 was \$3,500. There is no lifetime maximum benefit for plan members.

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

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

The balance on the balance sheet of the General Fund is currently \$500,000, which reflects the anticipated amount the District would receive after run-out claims and other fees to exit the group. The District sent a letter on February 8, 2022 notifying BEST that the District would be terminating the membership in the trust effective June 30, 2022.

Note 16 – Litigation

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

Morgan County School District Re-3

Notes to the Financial Statements

Note 17 – Subsequent Event

The District voters authorized \$12,950,000 in bonded debt at the November 2021 general election. The District sold the bonds in January 2022 and closed the bond issuance on February 1, 2022. The purpose of the bond issuance was to improve the Legion Field Complex and prepay both capital leases that the District was indebted to at June 30, 2021.

Note 18 – Excess Expenditures

For the year ended June 30, 2021, the Building Fund incurred total expenditures of \$3,240,767 which was \$1,358,267 in excess of the final approved budget of \$1,882,500.

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, 2021

PROPORTIONATE SHARE OF THE NET PENSION LIABILITY								
	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
District's Proportion of the Net Pension Liability	<u>36.3183532500%</u>	<u>0.3439872861%</u>	<u>0.3276944674%</u>	<u>0.3696201719%</u>	<u>0.3602611241%</u>	<u>0.3617443754%</u>	<u>0.3656166177%</u>	<u>0.3707465781%</u>
District's Proportionate Share of the Net Pension Liability	\$ 54,906,025	\$ 51,390,954	\$ 58,025,036	\$ 119,522,027	\$ 107,263,668	\$ 55,326,248	\$ 49,553,333	\$ 47,288,626
State's Proportionate Share of the Net Pension Liability Associated with the District	-	6,518,289	7,934,118	-	-	-	-	-
Total Proportionate Share	<u>\$ 54,906,025</u>	<u>\$ 57,909,243</u>	<u>\$ 65,959,154</u>	<u>\$ 119,522,027</u>	<u>\$ 107,263,668</u>	<u>\$ 55,326,248</u>	<u>\$ 49,553,333</u>	<u>\$ 47,288,626</u>
District's Covered Payroll	\$ 19,428,689	\$ 20,206,371	\$ 18,015,263	\$ 17,050,207	\$ 16,173,882	\$ 15,764,734	\$ 15,316,707	\$ 14,945,964
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	283%	254%	322%	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67%	65%	57%	44%	43%	59%	63%	64%
DISTRICT CONTRIBUTIONS								
	6/30/21	6/30/20	6/30/19	6/30/18	6/30/17	6/30/16	6/30/15	6/30/14
Statutorily Required Contribution	\$ 3,819,008	\$ 4,015,672	\$ 3,534,150	\$ 3,315,227	\$ 3,045,963	\$ 2,830,814	\$ 2,614,912	\$ 2,422,215
Contributions in Relation to the Statutorily Required Contribution	<u>(3,819,008)</u>	<u>(4,015,672)</u>	<u>(3,534,150)</u>	<u>(3,315,227)</u>	<u>(3,045,963)</u>	<u>(2,830,814)</u>	<u>(2,614,912)</u>	<u>(2,422,215)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 19,199,927	\$ 20,720,188	\$ 18,474,374	\$ 17,552,824	\$ 16,570,403	\$ 15,959,719	\$ 15,481,355	\$ 15,147,263
Contributions as a Percentage of Covered Payroll	19.89%	19.38%	19.13%	18.89%	18.38%	17.74%	16.89%	15.99%

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

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, 2021

	12/31/20	12/31/19	12/31/18	12/31/17
Proportionate Share of the Net OPEB Liability				
District's Proportion of the Net OPEB Liability	21.0097561700%	0.2247254202%	0.2130048354%	0.2100175754%
District's Proportionate Share of the Net OPEB Liability	\$ 1,996,400	\$ 2,525,909	\$ 2,898,020	\$ 2,729,388
District's Covered Payroll	\$ 19,428,689	\$ 20,206,371	\$ 18,015,263	\$ 17,050,207
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	10%	13%	16%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	33%	24%	17%	18%
	6/30/21	6/30/20	6/30/19	6/30/18
District Contributions				
Statutorily Required Contribution	\$ 195,839	\$ 211,346	\$ 188,439	\$ 179,039
Contributions in Relation to the Statutorily Required Contribution	(195,839)	(211,346)	(188,439)	(179,039)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 19,199,927	\$ 20,720,188	\$ 18,474,374	\$ 17,552,824
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%

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

Morgan County School District Re-3
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2021

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Property Taxes	\$ 8,530,156	\$ 8,408,851	\$ 8,440,679	\$ 31,828
Delinquent Taxes	1,101	1,000	44,303	43,303
Specific Ownership Taxes	719,194	701,580	710,967	9,387
Specific Ownership - Bond Redemption and Mill Levy	390,000	350,000	342,161	(7,839)
Tuition	174,532	186,400	7,145	(179,255)
Interest Income	156,875	135,250	41,939	(93,311)
Other	202,121	118,670	426,365	307,695
Federal Sources - Grants	1,161,841	3,453,613	4,736,008	1,282,395
State Sources				
State Equalization	18,586,808	17,170,699	17,556,722	386,023
ESL	454,336	484,580	484,581	1
Vocational Education	107,359	105,000	70,725	(34,275)
Transportation	147,523	169,577	178,849	9,272
Special Education	691,603	677,561	729,322	51,761
Small Rural Schools	-	468,172	468,172	-
Other State Sources	31,892	31,892	25,591	(6,301)
Total Revenues	31,355,341	32,462,845	34,263,529	1,800,684
Expenditures (See Schedules):				
Instruction	18,792,304	17,848,102	17,832,742	15,360
Supporting Services	13,390,232	13,888,147	13,749,987	138,160
Total Expenditures	32,182,536	31,736,249	31,582,729	153,520
Excess (Deficiency) of Revenue Over Expenditures	(827,195)	726,596	2,680,800	1,954,204
Other Financing Sources (Uses)				
Transfers Out	(2,007,981)	(1,975,196)	(45,235)	1,929,961
Total Other Financing Sources (Uses)	(2,007,981)	(1,975,196)	(45,235)	1,929,961
Net Change in Fund Balance	(2,835,176)	(1,248,600)	2,635,565	3,884,165
Beginning Fund Balance	8,024,349	8,024,349	9,888,242	1,863,893
Ending Fund Balance	\$ 5,189,173	\$ 6,775,749	\$ 12,523,807	\$ 5,748,058

Morgan County School District Re-3
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2021

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Instruction				
Salaries	\$ 12,036,860	\$ 12,168,822	\$ 12,118,171	\$ 50,651
Employee Benefits	4,990,269	4,927,350	4,861,645	65,705
Purchased Services	413,136	385,783	362,428	23,355
Supplies and Materials	287,438	229,105	279,389	(50,284)
Capital Outlay	924,645	94,364	146,801	(52,437)
Other	139,356	42,678	64,308	(21,630)
Total Instruction	\$ 18,791,704	\$ 17,848,102	\$ 17,832,742	\$ 15,360
Total Instructional Services	\$ 18,791,704	\$ 17,848,102	\$ 17,832,742	15,360
Less Capital Outlay	(924,645)	(94,364)	(146,801)	52,437
Net Instructional Services	\$ 17,867,059	\$ 17,753,738	\$ 17,685,941	\$ 67,797
Supporting Services				
Students				
Salaries	\$ 698,418	\$ 563,401	\$ 782,992	\$ (219,591)
Employee Benefits	261,870	204,645	276,754	(72,109)
Purchased Services	156,984	106,438	47,594	58,844
Supplies and Materials	9,569	7,911	8,872	(961)
Capital Outlay	2,216	722	828	(106)
Other	552	544	731	(187)
Total Students	1,129,609	883,661	1,117,771	(234,110)
Instructional Staff				
Salaries	612,608	694,607	708,179	(13,572)
Employee Benefits	258,920	278,990	287,979	(8,989)
Purchased Services	22,371	24,821	138,351	(113,530)
Supplies and Materials	189,152	776,966	641,009	135,957
Capital Outlay	1,247	22,425	364,569	(342,144)
Other	24,369	19,458	15,415	4,043
Total Instructional Staff	1,108,667	1,817,267	2,155,502	(338,235)
General Administration				
Salaries	220,271	59,842	55,980	3,862
Employee Benefits	74,151	22,897	20,783	2,114
Purchased Services	108,183	68,658	230,193	(161,535)
Supplies and Materials	15,662	6,716	12,386	(5,670)
Capital Outlay	7,873	-	-	-
Other	20,144	34,038	21,601	12,437
Total General Administration	446,284	192,151	340,943	(148,792)
School Administration				
Salaries	1,612,085	1,531,695	1,558,627	(26,932)
Employee Benefits	557,818	531,728	534,128	(2,400)
Purchased Services	19,476	2,983	3,393	(410)
Supplies and Materials	8,031	8,669	10,950	(2,281)
Capital Outlay	1,939	2,209	2,165	44
Other	24,211	(34,516)	8,333	(42,849)
Total School Administration	2,223,560	2,042,768	2,117,596	(74,828)

Morgan County School District Re-3
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2021

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Business Services				
Salaries	443,179	432,282	422,775	9,507
Employee Benefits	159,786	163,326	154,420	8,906
Purchased Services	137,278	109,884	213,392	(103,508)
Supplies and Materials	50,275	52,945	32,528	20,417
Capital Outlay	25,551	8,301	49,011	(40,710)
Other	(53,545)	(28,601)	75,434	(104,035)
Total Business Services	\$ 762,524	\$ 738,137	\$ 947,560	\$ (209,423)
Operations and Maintenance				
Salaries	\$ 1,520,763	\$ 1,460,207	\$ 1,402,897	\$ 57,310
Employee Benefits	633,984	594,538	566,774	27,764
Purchased Services	1,649,643	892,907	699,318	193,589
Supplies and Materials	735,639	667,889	747,064	(79,175)
Capital Outlay	81,976	546,551	233,958	312,593
Other	4,169	4,180	2,700	1,480
Total Operations and Maintenance	4,626,174	4,166,272	3,652,711	513,561
Student Transportation				
Salaries	514,406	475,335	522,727	(47,392)
Employee Benefits	233,707	236,409	234,780	1,629
Purchased Services	180,214	191,759	97,152	94,607
Supplies and Materials	161,726	87,835	115,108	(27,273)
Capital Outlay	6,930	26,498	25,127	1,371
Other	(147,896)	(12,568)	(47,094)	34,526
Total Student Transportation	949,087	1,005,268	947,800	57,468
Central Support				
Salaries	443,233	489,791	501,495	(11,704)
Employee Benefits	159,250	181,576	163,732	17,844
Purchased Services	320,651	281,540	295,366	(13,826)
Supplies and Materials	48,432	96,350	167,534	(71,184)
Capital Outlay	96,854	87,239	50,811	36,428
Other	8,309	10,413	16,115	(5,702)
Total Central Support	1,076,729	1,146,909	1,195,053	(48,144)
Other Support				
Salaries	188,893	206,034	228,285	(22,251)
Employee Benefits	64,913	92,541	88,675	3,866
Purchased Services	6,754	827,004	868,136	(41,132)
Supplies and Materials	6,800	7,448	7,688	(240)
Capital Outlay	576,255	556,296	54,070	502,226
Other	223,983	206,391	28,197	178,194
Total Other Support	1,067,598	1,895,714	1,275,051	620,663
Total Supporting Services	\$ 13,390,232	\$ 13,888,147	\$ 13,749,987	\$ 138,160
Total Support Services	\$ 13,390,232	\$ 13,888,147	\$ 13,749,987	138,160
Less Capital Outlay	(800,841)	(1,250,241)	(780,539)	(469,702)
Less Debt Service - Interest	-	(44,850)	(88,041)	-
Net Support Services	\$ 12,589,391	\$ 12,593,056	\$ 12,881,407	\$ (331,542)

Morgan County School District Re-3
Budgetary Comparison Schedule - Federal Programs Fund
For the Fiscal Year Ended June 30, 2021

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources	\$ 60,330	\$ 369,387	\$ 23,618	\$ (345,769)
State Sources	615,970	672,868	898,637	225,769
Federal Sources	1,178,883	1,296,818	886,941	(409,877)
Interest Income	-	-	947	947
Transfers	62,319	91,573	-	(91,573)
Total Revenues	<u>1,917,502</u>	<u>2,430,646</u>	<u>1,810,143</u>	<u>(528,930)</u>
Expenditures:				
Salaries	1,069,625	1,306,078	946,029	360,049
Benefits	427,597	548,873	402,255	146,618
Purchased Services	48,754	277,917	248,211	29,706
Supplies	165,104	227,112	127,202	99,910
Capital Outlay	-	-	16,749	(16,749)
Non Capital Outlay	52,121	19,552	88,995	(69,443)
Other	154,301	45,237	27,436	17,801
Total Expenditures	<u>1,917,502</u>	<u>2,424,769</u>	<u>1,856,877</u>	<u>567,892</u>
Excess (Deficiency) of Revenues over Expenditures	-	5,877	(46,734)	(52,611)
Other Financing Sources:				
Transfers In	-	-	47,681	47,681
Net Change in Fund Balance	-	5,877	947	(4,930)
Beginning Fund Balance	<u>288,680</u>	<u>272,741</u>	<u>272,741</u>	<u>-</u>
Ending Fund Balance	<u>\$ 288,680</u>	<u>\$ 278,618</u>	<u>\$ 273,688</u>	<u>\$ (4,930)</u>

Morgan County School District Re-3
Notes to Required Supplementary Information
June 30, 2021

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

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

Changes in Assumptions and Other Inputs – For the year ended June 30, 2021, the total pension liability was determined by an actuarial valuation as of December 31, 2019. There were no significant changes to assumptions.

Note (2) Budgets and Budgetary Accounting

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

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

Morgan County School District Re-3
Combining Balance Sheet
General Fund
June 30, 2021

	June 30, 2021						June 30, 2020	
	General Department	Mill Levy Department	Daycare Department	Capital Reserve Department	Insurance Department	Colorado Preschool Department	Total General Fund	Total General Fund
ASSETS								
Cash and Investments	\$ 11,899,535	\$ 794,510	\$ 182,105	\$ 816,840	\$ 287,798	\$ 77,429	\$ 14,058,217	\$ 12,049,655
Receivable from Treasurer	102,454	2,174	-	-	-	-	104,628	124,245
Property and S.O. Tax Receivable	506,553	28,874	-	-	-	-	535,427	359,368
Accounts Receivable	191,466	-	33,645	-	-	-	225,111	424,349
Intergovernmental Receivable	626,855	-	412	-	-	-	627,267	453,755
Interfund Receivables	452,079	957	17,288	20,773	-	39,648	530,745	214,062
Prepaid Expenditures	83,727	-	4,099	-	15,470	-	103,296	62,679
Inventory	62,733	-	-	-	-	-	62,733	68,822
Total Assets	<u>\$ 13,925,402</u>	<u>\$ 826,515</u>	<u>\$ 237,549</u>	<u>\$ 837,613</u>	<u>\$ 303,268</u>	<u>\$ 117,077</u>	<u>\$ 16,247,424</u>	<u>\$ 13,756,935</u>
Liabilities:								
Accounts Payable	\$ 272,944	\$ 28,969	\$ -	\$ -	\$ 61	\$ -	301,974	\$ 287,184
Hospital Escrow	11,652	-	-	-	-	-	11,652	-
Accrued Salaries and Benefits	2,784,985	-	26,824	-	-	44,120	2,855,929	2,468,499
Interfund Payables	250,414	3,555	3,000	-	-	2,035	259,004	185,996
Unearned Revenue	25,269	-	7,400	-	-	-	32,669	-
Total Liabilities	<u>3,345,264</u>	<u>32,524</u>	<u>37,224</u>	<u>-</u>	<u>61</u>	<u>46,155</u>	<u>3,461,228</u>	<u>2,941,679</u>
Deferred Inflows of Resources								
Taxes	245,730	16,660	-	-	-	-	262,390	154,936
Total Deferred Inflows of Resources	<u>245,730</u>	<u>16,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>262,390</u>	<u>154,936</u>
Fund Balances:								
Non-Spendable								
Prepaid Expenditures	36,755	-	-	-	-	-	36,755	62,679
Inventory	83,350	-	-	-	-	-	83,350	68,822
Restricted								
Emergency Reserve (TABOR)	1,500,000	-	-	-	-	-	1,500,000	1,050,000
Mill Levy - Capital and Maintenance	-	777,331	-	-	-	-	777,331	648,103
Preschool	-	-	-	-	-	70,922	70,922	92,617
Assigned								
Subsequent Year's Budget	1,293,060	-	-	-	57,467	-	1,350,527	8,040
Capital Projects/Replacements	-	-	-	837,613	-	-	837,613	1,470,514
Unassigned	7,421,243	-	200,325	-	245,740	-	7,867,308	7,259,545
Total Fund Balances	<u>10,334,408</u>	<u>777,331</u>	<u>200,325</u>	<u>837,613</u>	<u>303,207</u>	<u>70,922</u>	<u>12,523,806</u>	<u>10,660,320</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 13,925,402</u>	<u>\$ 826,515</u>	<u>\$ 237,549</u>	<u>\$ 837,613</u>	<u>\$ 303,268</u>	<u>\$ 117,077</u>	<u>\$ 16,247,424</u>	<u>\$ 13,756,935</u>

Morgan County School District Re-3
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Fiscal Year Ended June 30, 2021

	For the Fiscal Year Ended June 30, 2021							For the Fiscal Year Ended June 30, 2020
	General Department	Mill Levy Department	Daycare Department	Capital Reserve Department	Insurance Department	Colorado Preschool Department	Total General Fund	Total General Fund
Property Taxes	\$ 7,933,226	\$ 551,756	\$ -	\$ -	\$ -	\$ -	\$ 8,484,982	\$ 7,291,775
Specific Ownership Taxes	1,053,129	-	-	-	-	-	1,053,129	1,087,393
Intergovernmental	6,660,091	-	33,156	32,641	-	-	6,725,888	3,102,595
State Equalization	17,556,721	-	-	-	-	-	17,556,721	18,572,489
Interest Income	39,738	2,134	24	-	31	12	41,939	251,846
Other	5,487	5	5,000	36,471	10,679	-	57,642	91,110
Local Sources	19,437	-	323,790	-	-	-	343,227	338,111
Total Revenues	33,267,829	553,895	361,970	69,112	10,710	12	34,263,528	30,735,319
Expenditures:								
Current								
Instruction	17,066,432	30,471	-	-	-	478,038	17,574,941	16,862,409
Supporting Services	11,207,682	370,496	331,334	-	894,994	76,901	12,881,407	11,508,284
Debt Service								
Principal	111,000	-	-	-	-	-	111,000	-
Interest	88,041	-	-	-	-	-	88,041	-
Non Capital Outlay	582,672	30,269	5,319	136,819	-	295	755,374	749,038
Capital Outlay	-	78,773	-	93,193	-	-	171,966	2,033,957
Total Expenditures	29,055,827	510,009	336,653	230,012	894,994	555,234	31,582,729	31,153,688
Excess (Deficiency) of Revenues over Expenditures	4,212,002	43,886	25,317	(160,900)	(884,284)	(555,222)	2,680,799	(418,369)
Other Financing Sources (Uses):								
Insurance Proceeds	-	-	-	-	2,446	-	2,446	5,217
Allocations In	-	-	-	519,000	800,000	535,263	1,854,263	2,538,021
Allocations Out	(1,854,263)	-	-	-	-	-	(1,854,263)	(2,538,021)
Transfers Out	(47,681)	-	-	-	-	-	(47,681)	(151,013)
Total Other Financing Sources (Uses)	(1,901,944)	-	-	519,000	802,446	535,263	(45,235)	(145,796)
Net Change in Fund Balances	2,310,058	43,886	25,317	358,100	(81,838)	(19,959)	2,635,564	(564,165)
Fund Balances - Beginning of the Year	8,024,349	733,446	175,008	479,513	385,045	90,881	9,888,242	10,660,320
Fund Balances - End of the Year	\$ 10,334,407	\$ 777,332	\$ 200,325	\$ 837,613	\$ 303,207	\$ 70,922	\$ 12,523,806	\$ 10,096,155

Morgan County School District Re-3
Budgetary Comparison Schedule - Bond Redemption Fund
For the Fiscal Year Ended June 30, 2021

	June 30, 2021				June 30, 2020
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
Revenue:					
Local Property Tax	\$ 3,200,000	\$ 3,175,525	\$ 3,143,454	\$ (32,071)	\$ 3,127,323
Interest Income	4,000	5,000	10,914	5,914	-
Other		-	27	27	27
Total Revenue	<u>3,204,000</u>	<u>3,180,525</u>	<u>3,154,395</u>	<u>(26,130)</u>	<u>3,127,350</u>
Expenditures:					
Paying Agent Fees	5,250	5,250	3,750	1,500	3,750
Debt Service:					
Principal on Debt	2,255,000	2,255,000	2,335,000	(80,000)	2,255,000
Interest on Debt	876,987	876,987	779,793	97,194	876,988
Total Expenditures	<u>3,137,237</u>	<u>3,137,237</u>	<u>3,118,543</u>	<u>18,694</u>	<u>3,135,738</u>
Net Change in Fund Balance	66,763	43,288	35,852	(7,436)	(8,388)
Beginning Fund Balance	<u>2,882,397</u>	<u>2,819,782</u>	<u>2,869,607</u>	<u>49,825</u>	<u>2,877,995</u>
Ending Fund Balance	<u>\$ 2,949,160</u>	<u>\$ 2,863,070</u>	<u>\$ 2,905,459</u>	<u>\$ 42,389</u>	<u>\$ 2,869,607</u>

Morgan County School District Re-3
Budgetary Comparison Schedule - Building Fund
For the Fiscal Year Ended June 30, 2021

	June 30, 2021			June 30, 2020	
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
Revenues:					
Interest Income	\$ 25,000	\$ 20,000	\$ 1,569	\$ (18,431)	30,386
State Grants	-	600,000	1,329,109	729,109	3,047
	<u>25,000</u>	<u>620,000</u>	<u>1,330,678</u>	<u>710,678</u>	<u>33,433</u>
Expenditures:					
Contracted Services	-	-	40,507	(40,507)	110,563
Capital Outlay - Building Improvements	1,019,936	1,500,000	3,110,853	(1,610,853)	66,397
Capital Outlay	-	-	89,407	(89,407)	654,019
Bond Issuance Costs	-	32,500	-	32,500	-
Lease Issuance Costs	350,000	-	-	-	-
Grant Replacement Reserve	-	350,000	-	350,000	2,426,666
Total Expenditures	<u>1,369,936</u>	<u>1,882,500</u>	<u>3,240,767</u>	<u>(1,358,267)</u>	<u>3,257,645</u>
Excess (Deficiency) of Revenues over Expenditures	(1,344,936)	(1,262,500)	(1,910,089)	2,068,945	(3,224,212)
Other Financing Sources (Uses):					
Capital Lease Proceeds	-	3,600,000	4,100,000	500,000	3,000,000
Net Change in Fund Balance	(1,344,936)	2,337,500	2,189,911	2,568,945	(224,212)
Beginning Fund Balance	<u>1,450,161</u>	<u>1,450,161</u>	<u>1,390,094</u>	<u>(60,067)</u>	<u>1,614,306</u>
Ending Fund Balance	<u>\$ 105,225</u>	<u>\$ 3,787,661</u>	<u>\$ 3,580,005</u>	<u>\$ (207,656)</u>	<u>\$ 1,390,094</u>

Morgan County School District Re-3
Budgetary Comparison Schedule – Food Service Fund
For the Fiscal Year Ended June 30, 2021

	June 30, 2021				June 30, 2020
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
Revenues:					
School Meals	\$ 14,000	\$ 14,000	\$ 19,638	\$ (5,638)	\$ 204,572
Lunch Reimbursements	-	-	-	-	20,760
Federal Aid:					
School Lunch Program	-	-	1,463,879	(1,463,879)	702,796
Donated Commodities	120,311	120,311	114,657	5,654	119,266
School Breakfast Program	1,500,000	1,500,000	-	1,500,000	265,594
Other Food Service Grants	-	-	-	-	13,823
State Aid:					
Child Nutrition Match	14,901	14,901	14,901	-	14,776
Start Smart	-	-	-	-	4,851
COVID 19	-	-	391,593	(391,593)	311,492
K-12 Reduced	-	-	-	-	10,948
Interest Income	200	200	219	(19)	3,737
Inter Fund Reimbursements	33,000	33,000	38,570	(5,570)	26,901
Other Revenue	7,000	7,000	324	6,676	23,757
Total Revenues	1,689,412	1,689,412	2,043,781	354,369	1,723,273
Expenditures:					
Salaries	592,149	592,149	562,102	30,047	659,896
Employee Benefits	305,498	305,498	276,748	28,750	296,713
Repairs & Maintenance	7,000	7,000	6,946	54	6,750
Purchased Services	2,700	2,700	2,651	49	1,820
Travel	500	500	754	(254)	567
Supplies & Materials	59,300	59,300	64,610	(5,310)	32,794
Food Costs:					
Food and Milk	720,000	720,000	708,402	11,598	730,677
Commodities	120,311	120,311	114,657	5,654	119,266
Commodities Fees	2,300	2,300	2,311	(11)	4,215
Capital Equipment	-	-	8,984	(8,984)	151,182
Non Capital Equipment	5,000	5,000	-	5,000	4,579
Other	2,000	2,000	1,835	165	1,802
Total Expenditures	1,816,758	1,816,758	1,750,000	66,758	2,010,261
Net Change in Fund Balance	(127,346)	(127,346)	293,781	421,127	(286,988)
Beginning Fund Balance	374,730	359,363	425,188	65,825	712,176
Ending Fund Balance	\$ 247,384	\$ 232,017	\$ 718,969	\$ 486,952	\$ 425,188

Morgan County School District Re-3
Budgetary Comparison Schedule - Private-Purpose Trust Fund
For the Fiscal Year Ended June 30, 2021

	June 30, 2021				June 30, 2020
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	Actual Amounts
Additions:					
Contributions and Donations	\$ 225,000	\$ 225,000	\$ 192,275	\$ (32,725)	\$ 203,800
Interest Income	-	-	294	294	851
Total Additions	225,000	225,000	192,569	(32,431)	204,651
Deductions:					
Scholarship Awards	225,000	225,000	193,625	31,375	182,550
Change in Net Position	-	-	(1,056)	(1,056)	22,101
Beginning Net Position	107,528	138,904	139,960	1,056	117,859
Ending Net Position	<u>\$ 107,528</u>	<u>\$ 138,904</u>	<u>\$ 138,904</u>	<u>\$ -</u>	<u>\$ 139,960</u>

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morgan County School District RE-3 (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 4, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

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

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Moss Adams LLP

Medford, Oregon
April 4, 2022

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

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

Report on Compliance for Each Major Federal Program

We have audited Morgan County School District Re-3's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Morgan County School District Re-3's major federal programs for the year ended June 30, 2021. Morgan County School District Re-3's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Morgan County School District Re-3 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Moss Adams LLP

Medford, Oregon
April 4, 2022

Morgan County School District Re-3

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major federal programs:

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

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

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

Assistance Listing number	Name of Federal Program or Cluster	Type of Auditor's Report Issued on Compliance for Major Federal Programs
21.019	COVID-19 Coronavirus Relief Fund	Unmodified
10.555 & 10.559	Child Nutrition Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

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

Morgan County School District Re-3
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section II - Financial Statement Findings

Finding 2021-001 Material Weakness over Financial Reporting

Criteria: The District is responsible for maintaining effective internal controls over their accounting records, account balances, and financial statement disclosures.

Governmental financial statements are presented on three basis of accounting – budgetary basis to address budgetary compliance and monitoring for the current year, modified accrual basis for individual fund reporting designed to report the inflows and outflows of current available financial resources for the year, and full accrual basis for external government-wide financial reporting designed to better measure the true cost of providing services.

The financial close and reporting process requires preparing financial statements on all bases of accounting as noted above. It is common for the general ledger to be maintained during the year solely on the budgetary basis, or the budgetary basis and modified accrual basis of accounting. As a result, records must be developed and maintained outside of the general ledger to create individual fund statements on the modified accrual basis in some instances, and to report government-wide statements on the full accrual basis. The financial close and reporting process requires policies, procedures, internal controls, and a formal plan designed to address the 'off general ledger' accounting adjustments and entries necessary to adjust from the budgetary basis to these other bases of accounting in a timely manner to allow for the preparation and audit of the financial statements within six months after year-end.

Condition/Context: During the audit, we had several conversations with key finance personnel regarding the implementation of technical accounting pronouncements and the different basis of accounting related to the different types of funds. For instance, we discussed implementation of GASB 84, Fiduciary Activities, reporting for the bond refunding and how to reconcile between the schedule of expenditures of federal awards and the related receivables, unearned revenue and revenue. The District Chief Financial Officer is a competent individual who has a good understanding of the District's operations. The finance staff, as well as the CFO, have a solid accounting background, but are not as competent in applying and implementing governmental accounting standards.

Cause: There are a limited number of personnel in the finance department and the personnel of the finance department have limited governmental accounting training.

Effects: Multiple adjustments were provided by the CFO after the audit process to agree the general ledger accounts to their reconciled balances at June 30, 2021. Additionally, given the delays related to the adjustments, the financial statements were not submitted by the extended due date of March 1, 2022 causing the state to hold funds that should have been distributed to the District.

Morgan County School District Re-3
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Recommendations: We recommend government specific accounting and GAAP training for the finance department personnel and implementing a plan to attend training annually to keep up to date on new accounting principles. Additionally, we would recommend the District to purchase the governmental accounting, auditing, and financial reporting "Blue Book".

Views of responsible officials: Management agrees with the finding and plans to obtain the blue book for daily reference and attend trainings for governmental financial closed and reporting.

Section III - Federal Award Findings and Questioned Costs

None reported.

Morgan County School District Re-3
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-through Entity Grant Code	Expenditures	Pass-through to Subrecipients
U.S. Department of Agriculture				
Child Nutrition Cluster				
Passed through Statement Department of Human Services				
Food Donation	10.555	N/A	\$ 114,657	\$ -
Passed Through State Department of Education				
COVID-19 National School Lunch Program	10.555	4555	391,592	-
Summer Food Service Program for Children	10.559	4559	1,319,838	-
Subtotal Child Nutrition Cluster			<u>1,826,087</u>	<u>-</u>
Passed Through State Department of Public Health and Environment				
Child and Adult Care Food Program	10.558	N/A	<u>8,306</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1,834,393</u>	<u>-</u>
U.S. Department of Treasury				
Passed Through State Department of Education				
COVID-19 Coronavirus Relief Fund	21.019	4012	24,850	-
COVID-19 CRF at Risk	21.019	5012	165,891	-
COVID-19 Coronavirus Relief Fund	21.019	4012	<u>2,296,435</u>	<u>-</u>
Total U.S. DEPARTMENT OF TREASURY			<u>2,487,176</u>	<u>-</u>
U.S. Department of Education				
Passed Through State Department of Education				
Title I	84.010	4010	477,126	-
Title I Part A	84.010	5010	<u>31,857</u>	<u>-</u>
Total ALN 84.010			<u>508,983</u>	
Right For Rural	84.206	5206	5,837	-
COVID-19 ESSER	84.425D	4425	402,371	-
COVID-19 ESSER II	84.425D	4420	<u>289,738</u>	<u>-</u>
Total ALN 84.425D			<u>692,109</u>	
Subtotal Passed Through State Department of Education			<u>1,206,929</u>	<u>-</u>
Special Education Cluster				
Special Education	84.027	4027	712,052	-
Special Education - Preschool	84.173	4173	<u>28,041</u>	<u>-</u>
Subtotal Special Education Cluster			<u>740,093</u>	<u>-</u>
English Language Acquisition	84.365	4365/7365	55,046	-
Supporting Effective Instruction	84.367	4367	92,673	-
Student Support and Academic Enrichment Program	84.424	4424	39,511	-
Migrant	84.011A	4011	92,370	-
Passed Through State Community College System				
Career and Technical Education	84.048	N/A	<u>32,390</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>2,259,012</u>	<u>-</u>
TOTAL			<u>\$ 6,580,581</u>	<u>\$ -</u>

See notes to schedule of expenditures of federal awards.

Morgan County School District Re-3
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

NOTE (1) Basis of Presentation and Significant Accounting Principles

The accompanying Schedule of Expenditures of Federal Awards includes all Federal grants to the District that had expenditures during the fiscal year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. This schedule has been prepared on the full accrual basis of accounting. Grant revenues are recorded when the District has met the qualifications for the respective grants.

NOTE (2) Subrecipients

For the year ended June 30, 2021, the District did not pass through any federal grant awards to subrecipients.

NOTE (3) Indirect Cost Rate

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

NOTE (4) Non-Cash Programs (Commodities)

Commodities donated to the District by the U.S. Department of Agriculture (USDA) of \$114,657 are valued based on the USDA's Donated Commodity Price List. These are shown as part of the National School Lunch program (10.555).



Morgan County School District Re-3

District Support Center

715 West Platte Avenue
Fort Morgan, Colorado 80701

Corrective Action Plan

Finding Number:	2021-001
Planned Corrective Action:	Purchase a copy of the “Blue Book” for daily reference
Anticipated Completion Date:	March 21, 2022
Responsible Contact Person:	Toni Miller
Planned Corrective Action:	Attend government specific accounting training as it is available
Anticipated Completion Date:	December 31, 2022
Responsible Contact Person:	Toni Miller



**Colorado Department of
Education**

Page: 1

Auditors Integrity Report
District: 2405 - Fort Morgan Re-3
Fiscal Year: 2020-21
Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beginning Fund Balance & Prior Per Adj (6680*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	(6700-6799 & Prior Per Adj (6680*)) Ending Fund Balance
Governmental				
10 General Fund	9,412,316	32,869,863	30,132,501	12,149,678
18 Risk Mgmt Sub-Fund of General Fund	385,045	813,196	804,994	303,207
19 Colorado Preschool Program Fund	90,881	535,275	555,234	70,922
Sub-Total	9,888,242	34,218,294	31,582,729	12,523,807
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	425,187	2,005,211	1,711,430	718,969
22 Govt Designated-Purpose Grants Fund	272,741	1,857,824	1,856,877	273,688
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	2,069,607	3,154,395	3,118,543	2,905,459
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	1,390,054	5,430,678	3,240,767	3,580,005
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	14,845,871	46,565,402	41,510,345	20,001,928
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	139,559	192,559	193,625	138,503
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	679,067	218,955	271,732	626,291
79 GASB 34 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	819,626	411,524	465,357	765,594
FINAL				

*If you have a prior period adjustment in any fund (Balance Sheet 6680), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.
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