

BASIC FINANCIAL STATEMENTS



Morgan County, Colorado
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash (Note 3)	\$ 1,635	\$ 700	\$ 2,335
Cash held by county departments (Note 3)	227,873	-	227,873
Cash and investments held by County Treasurer (Note 3)	54,357,366	7,712,982	62,070,348
Receivables (net of allowance for uncollectibles) (Note 4):			
General property tax - net	18,612,493	-	18,612,493
Accounts	98,854	269,558	368,412
Intergovernmental	1,468,572	-	1,468,572
Internal balances (Note 8)	25,936	(25,936)	-
Inventory	272,123	-	272,123
Capital assets not being depreciated (Note 5)	2,118,484	125,787	2,244,271
Capital assets (net of accumulated depreciation) (Note 5)	99,334,402	1,550,551	100,884,953
Total assets	<u>176,517,738</u>	<u>9,633,642</u>	<u>186,151,380</u>
LIABILITIES			
Warrants payable	481,455	60,909	542,364
Vouchers payable	637,671	57,095	694,766
Accounts payable	102,559	12,032	114,591
Accrued wages	-	36,946	36,946
Intergovernmental payables	32,906	-	32,906
Unearned other revenue	136,298	9,145	145,443
Noncurrent liabilities:			
Due within one year (Note 7)	658,173	70,522	728,695
Due more than one year (Note 7)	278,079	992,373	1,270,452
Total liabilities	<u>2,327,141</u>	<u>1,239,022</u>	<u>3,566,163</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	18,612,493	-	18,612,493
NET POSITION:			
Net investment in capital assets	101,452,886	1,676,338	103,129,224
Restricted for:			
Clerk E-filing fees	82,289	-	82,289
Emergencies (Note 9)	1,000,000	-	1,000,000
Tri Centennial	2,440	-	2,440
Roadways	8,053,832	-	8,053,832
Social services	1,227,887	-	1,227,887
911 emergency	864,464	-	864,464
Tourism	552,795	-	552,795
Parks and recreation	269,995	-	269,995
Law enforcement	5,836	-	5,836
Unrestricted	42,065,680	6,718,282	48,783,962
Total net position	<u>\$ 155,578,104</u>	<u>\$ 8,394,620</u>	<u>\$ 163,972,724</u>

The notes to the financial statements are an integral part of this statement.

Morgan County, Colorado
Statement of Activities
Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Governmental activities:				
General government	\$ 8,071,055	\$ 2,298,319	\$ 1,436,170	\$ (4,336,566)
Judicial and public safety	6,418,615	532,489	123,090	(5,763,036)
Auxiliary services	452,772	-	-	(452,772)
Roads and bridges	15,881,428	55,680	2,974,747	(12,851,001)
Public welfare	5,137,371	-	4,138,235	(999,136)
Capital outlay	897,060	-	-	(897,060)
Total governmental activities	36,858,301	2,886,488	8,672,242	(25,299,571)
Business-type activities:				
Ambulance services	1,457,169	1,207,499	59,555	-
Solid waste services	870,814	1,176,790	-	-
Total business-type activities	2,327,983	2,384,289	59,555	-
Total primary government	\$ 39,186,284	\$ 5,270,777	\$ 8,731,797	\$ (25,299,571)
General revenues:				
Taxes:				
Property				17,276,977
Specific ownership				1,623,075
Lodging				203,196
Other				14,364
Investment income				571,075
Miscellaneous				414,155
Gain/(Loss) sale of assets				117,132
Total general revenues				20,219,974
Changes in net position				(5,079,597)
Net position, January 1				160,657,701
Net position, December 31				\$ 155,578,104

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Position	
Primary Government	
Business-type Activities	Total
\$ -	\$ (4,336,566)
-	(5,763,036)
-	(452,772)
-	(12,851,001)
-	(999,136)
-	(897,060)
-	(25,299,571)
(190,115)	(190,115)
305,976	305,976
115,861	115,861
\$ 115,861	\$ (25,183,710)
-	17,276,977
-	1,623,075
-	203,196
-	14,364
42,957	614,032
26,353	440,508
-	117,132
69,310	20,289,284
185,171	(4,894,426)
8,209,449	168,867,150
\$ 8,394,620	\$ 163,972,724

Morgan County, Colorado
Balance Sheet
Governmental Funds
December 31, 2020

	General	Road and Bridge	Social Services	Other Governmental Funds	Total
ASSETS:					
Cash	\$ 800	\$ -	\$ 400	\$ 85	\$ 1,285
Cash held by county departments	163,572	-	58,100	6,201	227,873
Cash and investments held by County Treasurer	32,376,394	13,277,671	1,125,661	2,833,387	49,613,113
Receivables (net of allowances for uncollectibles):					
General property tax - net	12,517,819	4,811,585	1,283,089	-	18,612,493
Accounts	16,833	466	32,906	41,846	92,051
Intergovernmental	786,839	236,241	416,554	28,937	1,468,571
Inventories	-	79,180	498	-	79,678
Total assets	\$ 45,862,257	\$ 18,405,143	\$ 2,917,208	\$ 2,910,456	\$ 70,095,064
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Warrants payable	\$ 288,801	\$ 40,662	\$ 83,379	\$ 29,976	\$ 442,818
Vouchers payable	154,715	74,859	68,324	10,220	308,118
Accounts payable	31,539	412	70,158	450	102,559
Intergovernmental payables	-	-	32,906	-	32,906
Interfund payables	139,061	229,794	15,167	503	384,525
Unearned other revenue	-	-	136,298	-	136,298
Total liabilities	614,116	345,727	406,232	41,149	1,407,224
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	12,517,819	4,811,585	1,283,089	-	18,612,493
FUND BALANCES:					
Fund balance:					
Nonspendable:					
Inventory	-	79,180	-	-	79,180
Restricted for:					
Clerk E-filing fees	82,289	-	-	-	82,289
Emergencies	1,000,000	-	-	-	1,000,000
Roadways	-	8,053,832	-	-	8,053,832
Social services	-	-	1,227,887	-	1,227,887
911 emergency	-	-	-	864,464	864,464
Tourism	-	-	-	552,795	552,795
Parks and recreation	-	-	-	269,995	269,995
Law enforcement	-	-	-	5,836	5,836
Committed to:					
Tri Centennial	2,440	-	-	-	2,440
Capital improvements	776,270	-	-	-	776,270
Bridge structures	-	3,210,209	-	-	3,210,209
Road projects	-	1,904,610	-	-	1,904,610
Jail expansion	-	-	-	1,176,217	1,176,217
Assigned to:					
Other capital projects	11,000,000	-	-	-	11,000,000
Other agencies	163,572	-	-	-	163,572
Unassigned:	19,705,751	-	-	-	19,705,751
Total fund balances	32,730,322	13,247,831	1,227,887	2,869,307	50,075,347
Total liabilities and fund balances	\$ 45,862,257	\$ 18,405,143	\$ 2,917,208	\$ 2,910,456	\$ 70,095,064

The notes to the financial statements are an integral part of this statement.



**Morgan County, Colorado
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
December 31, 2020**

Total governmental fund balances (page 30) \$ 50,075,347

Amounts reported for governmental activities in the statement of net position (page 27) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 96,265,861

Long-term liabilities, including capital leases payable, compensated absences, and interest payable, are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences (783,893)

The internal services fund is used by management to charge the costs of services for the County attorney, fleet maintenance, and other services to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position. 10,020,789

Net position of governmental activities (page 27) \$ 155,578,104

The notes to the financial statements are an integral part of this statement.

Morgan County, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended December 31, 2020

	General	Road and Bridge	Social Services	Other Governmental Funds	Total
REVENUES					
Taxes	\$ 12,924,806	\$ 4,878,801	\$ 1,191,063	\$ 122,944	\$ 19,117,614
Intergovernmental	1,430,217	2,974,747	4,138,235	124,993	8,668,192
Licenses and permits	77,017	41,526	-	-	118,543
Fines and forfeitures	2,055	-	-	-	2,055
Fee accounts	1,536,589	-	-	15,385	1,551,974
Charges for materials/service	-	714	-	268,539	269,253
Investment income	518,385	50,283	-	2,407	571,075
Miscellaneous	324,974	14,308	35,458	-	374,740
Total revenues	<u>16,814,043</u>	<u>7,960,379</u>	<u>5,364,756</u>	<u>534,268</u>	<u>30,673,446</u>
EXPENDITURES					
Current:					
General government	6,679,017	-	-	178,729	6,857,746
Judicial and public safety	5,853,853	-	-	437,769	6,291,622
Auxiliary services	452,772	-	-	-	452,772
Road and bridge	-	6,565,394	-	-	6,565,394
Public welfare	-	-	5,127,164	-	5,127,164
Intergovernmental cooperation outlay	1,128,848	-	-	-	1,128,848
Capital outlay	324,308	152,887	8,076	40,556	525,827
Total expenditures	<u>14,438,798</u>	<u>6,718,281</u>	<u>5,135,240</u>	<u>657,054</u>	<u>26,949,373</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,375,245</u>	<u>1,242,098</u>	<u>229,516</u>	<u>(122,786)</u>	<u>3,724,073</u>
Other financing sources (uses):					
Transfers in	200,000	-	-	120,000	320,000
Transfers out	(120,000)	-	(200,000)	-	(320,000)
Total other financing sources (uses)	<u>80,000</u>	<u>-</u>	<u>(200,000)</u>	<u>120,000</u>	<u>-</u>
Net change in fund balances	2,455,245	1,242,098	29,516	(2,786)	3,724,073
Fund Balances, January 1	30,275,077	12,005,733	1,198,371	2,872,093	46,351,274
Fund Balances, December 31	<u>\$ 32,730,322</u>	<u>\$ 13,247,831</u>	<u>\$ 1,227,887</u>	<u>\$ 2,869,307</u>	<u>\$ 50,075,347</u>

The notes to the financial statements are an integral part of this statement.

Morgan County, Colorado
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balance to the Statement of Activities
For the Year Ended December 31, 2020

Net change in fund balances – total governmental funds (page 33) \$ 3,724,073

Amounts reported for governmental activities in the statement of activities (page 29) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital asset additions	\$	525,824	
Depreciation expense		(10,007,550)	
Excess of depreciation over capital outlay			(9,481,726)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	(56,560)
----------------------	----------

Internal service funds are used by management to charge the costs of certain activities such as fleet services, attorney services, accounting services, and information system services to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

	734,616
--	---------

Change in net position of governmental funds (page 28) **\$ (5,079,597)**

Morgan County, Colorado
Statement of Fund Net Position
Proprietary Funds
December 31, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Ambulance Service	Solid Waste Management	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash	\$ -	\$ 700	\$ 700	\$ 350
Cash and investments held by County Treasurer	1,545,577	6,167,405	7,712,982	4,744,253
Receivables (net of allowance uncollectibles):				
Accounts	176,609	90,227	266,836	6,802
Other	2,139	583	2,722	-
Interfund Receivables	-	54	54	410,461
Inventory	-	-	-	192,445
Total current assets	<u>1,724,325</u>	<u>6,258,969</u>	<u>7,983,294</u>	<u>5,354,311</u>
Long term assets:				
Capital assets (net of accumulated depreciation):				
Land and water rights	62,190	63,597	125,787	-
Buildings	527,875	483,379	1,011,254	3,051
General equipment	239,303	299,994	539,297	5,166,416
Infrastructure	-	-	-	17,561
Total long term assets	<u>829,368</u>	<u>846,970</u>	<u>1,676,338</u>	<u>5,187,028</u>
Total assets	<u>2,553,693</u>	<u>7,105,939</u>	<u>9,659,632</u>	<u>10,541,339</u>
LIABILITIES				
Current liabilities:				
Warrants payable	22,097	38,812	60,909	38,637
Vouchers payable	12,797	44,298	57,095	329,553
Accounts payable	-	12,032	12,032	-
Accrued wages	36,946	-	36,946	-
Compensated absences	54,308	16,214	70,522	100,545
Interfund payables	15,575	10,415	25,990	-
Unearned revenue	9,145	-	9,145	-
Total current liabilities	<u>150,868</u>	<u>121,771</u>	<u>272,639</u>	<u>468,735</u>
Long term liabilities:				
Compensated absences	15,351	8,179	23,530	51,815
Accrued landfill closure and post-closure care	-	968,843	968,843	-
Total long term liabilities	<u>15,351</u>	<u>977,022</u>	<u>992,373</u>	<u>51,815</u>
Total liabilities	<u>166,219</u>	<u>1,098,793</u>	<u>1,265,012</u>	<u>520,550</u>
NET POSITION				
Net investment in capital assets	829,368	846,970	1,676,338	5,187,028
Unrestricted	1,558,106	5,160,176	6,718,282	4,833,761
Total net position	<u>\$ 2,387,474</u>	<u>\$ 6,007,146</u>	<u>\$ 8,394,620</u>	<u>\$ 10,020,789</u>

The notes to the financial statements are an integral part of this statement.

The notes to the financial statements are an integral part of this statement.

Morgan County, Colorado
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended December 31, 2020

	Business-type Activities - Enterprise Funds			Governmental
	Ambulance Service	Solid Waste Management	Total	Internal Service Fund
Operating revenues				
Charges for services	\$ 1,207,499	\$ 1,176,790	\$ 2,384,289	\$ 4,634,353
Miscellaneous revenues	21,669	4,684	26,353	44,748
Total operating revenues	<u>1,229,168</u>	<u>1,181,474</u>	<u>2,410,642</u>	<u>4,679,101</u>
Operating expenses				
Compensation and benefits	979,298	353,934	1,333,232	1,505,429
Operating supplies	90,042	63,241	153,283	1,110,809
Purchased services	130,083	182,817	312,900	477,783
Fixed charges	178,872	154,573	333,445	74,281
Depreciation	69,641	69,273	138,914	904,096
Other expenses	9,233	46,976	56,209	1,522
Total operating expenses	<u>1,457,169</u>	<u>870,814</u>	<u>2,327,983</u>	<u>4,073,920</u>
Operating income (loss)	<u>(228,001)</u>	<u>310,660</u>	<u>82,659</u>	<u>605,181</u>
Nonoperating revenues				
State grant	12,008	-	12,008	4,050
Other grants and donations	47,547	-	47,547	-
Interest	4,128	38,829	42,957	-
Gain (loss) on disposal of assets	-	-	-	117,132
Insurance recovery	-	-	-	8,253
Total nonoperating revenues	<u>63,683</u>	<u>38,829</u>	<u>102,512</u>	<u>129,435</u>
Change in net position	(164,318)	349,489	185,171	734,616
Total net position, January 1	<u>2,551,792</u>	<u>5,657,657</u>	<u>8,209,449</u>	<u>9,286,173</u>
Total net position, December 31	<u>\$ 2,387,474</u>	<u>\$ 6,007,146</u>	<u>\$ 8,394,620</u>	<u>\$ 10,020,789</u>

The notes to the financial statements are an integral part of this statement.

Morgan County, Colorado
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Ambulance Service Fund	Solid Waste Management	2020	Internal Services Fund
Cash flows from operating activities				
Receipts from customers and users	\$ 1,266,180	\$ 1,185,241	\$ 2,451,421	\$ 124,959
Receipts from interfund services	-	-	-	4,473,867
Payments to suppliers	(203,518)	(211,526)	(415,044)	(1,747,288)
Payments for interfund services	(193,853)	(147,473)	(341,326)	(37,416)
Payments to employees	(960,508)	(350,303)	(1,310,811)	(1,492,193)
Net cash provided by operating activities	<u>(91,699)</u>	<u>475,939</u>	<u>384,240</u>	<u>1,321,929</u>
Cash flows from noncapital financing activities				
Grants received	59,355	-	59,355	4,050
Donations received	200	-	200	-
Net cash provided by noncapital financing activities	<u>59,555</u>	<u>-</u>	<u>59,555</u>	<u>4,050</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	(89,990)	-	(89,990)	(897,053)
Proceeds from sale of capital assets	-	-	-	96,372
Insurance Recovery	-	-	-	8,252
Net cash used by capital and related financing activities	<u>(89,990)</u>	<u>-</u>	<u>(89,990)</u>	<u>(792,429)</u>
Cash flows from investing activities				
Interest received	4,128	38,828	42,956	-
Net cash provided by investing activities	<u>4,128</u>	<u>38,828</u>	<u>42,956</u>	<u>-</u>
Net Increase (decrease) in cash and cash equivalents	(118,006)	514,767	396,761	533,550
Cash and cash equivalents - January 1	<u>1,663,583</u>	<u>5,653,338</u>	<u>7,316,921</u>	<u>4,211,053</u>
Cash and cash equivalents - December 31				
(Including \$700 and \$350 for the Solid Waste Management Fund and Central Services Fund, respectively, reported in cash on hand)	<u>\$ 1,545,577</u>	<u>\$ 6,168,105</u>	<u>\$ 7,713,682</u>	<u>\$ 4,744,603</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (228,001)	\$ 310,660	82,659	\$ 605,181
Adjustment to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	69,641	69,273	138,914	904,096
(Increase) decrease in accounts receivable	37,012	3,787	40,799	13,359
(Increase) decrease in intergovernmental receivables	-	(18)	(18)	(81,287)
(Increase) decrease in inventory	-	-	-	(12,346)
Increase (decrease) in accounts payable	7,448	55,599	63,047	(121,509)
Increase (decrease) in intergovernmental payable	3,618	(1,686)	1,932	-
Increase (decrease) in accrued wages	5,653	-	5,653	-
Increase (decrease) in accrued compensated absences	13,136	3,629	16,765	14,435
Increase (decrease) in unearned revenue	(206)	-	(206)	-
Increase (decrease) in accrued landfill closure and postclosure	-	-	-	-
Total adjustments	<u>136,302</u>	<u>165,279</u>	<u>301,581</u>	<u>716,748</u>
Net cash provided by operating activities	<u>\$ (91,699)</u>	<u>\$ 475,939</u>	<u>\$ 384,240</u>	<u>\$ 1,321,929</u>

The notes to the financial statements are an integral part of this statement.

Morgan County, Colorado
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2020

	Total Custodial Funds
ASSETS	
Cash	\$ 2,263,271
Total assets	<u>\$ 2,263,271</u>
LIABILITIES	
Due to others	2,182,793
Payments to general fund	15,709
Total liabilities	<u>\$ 2,198,502</u>
NET POSITION	
Restricted for individuals	<u>64,769</u>

The notes to the financial statements are an integral part of this statement.

Morgan County, Colorado
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended December 31, 2020

	<u>Total Custodial Funds</u>
ADDITIONS	
Cash deposits	\$ 55,071,182
Total additions	<u>55,071,182</u>
DEDUCTIONS	
Paid to general fund	15,709
Due to others	55,079,016
Total deductions	<u>55,094,725</u>
Change in net position	(23,543)
Total net position, January 1	<u>88,312</u>
Total net position, December 31	<u>\$ 64,769</u>

The notes to the financial statements are an integral part of this statement.

MORGAN COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Morgan County, Colorado have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the County's financial statements.

A. Reporting Entity

In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the County may be financially accountable and, as such, should be included within the County's financial statements. The County (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the County. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

These financial statements include the following blended component unit:

Morgan County Building Authority

The Morgan County Building Authority functions for one single purpose. It was created in 1984 to act as a conduit to finance major capital building projects and to convey these facilities through a lease-purchase agreement with the County. It has an uncompensated four member board. Board members are appointed by the Board of County Commissioners. The Morgan County Building Authority does not issue separate financial statements. There is no activity for the Morgan County Building Authority in 2020.

B. Basis of Presentation

Morgan County's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

information. The government-wide focus is more on the sustainability of the County as an entity and the change in aggregate net position resulting from activities of the fiscal period.

C. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the County as a whole. In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column. These statements include the financial activities of the primary government, except for fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. Exceptions include interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities reflects both the direct expenses and net cost of each function of the County's governmental activities and business-like activity. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the County.

The County does not currently employ an indirect cost allocation system. An internal service fund is utilized to account for its fleet of vehicles, county attorney and human resources, accounting, and its management information systems. Fees for these services are charged to other operating funds. The interfund services provided and used by the County are not eliminated in the consolidation process.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Financial Statements

The financial transactions of the County are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, deferred inflows and outflows of resources, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and presented as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The County reports the following major governmental funds:

The *General Fund* is the general operating fund of the County which accounts for all financial resources that are not accounted for in other funds. Operations of the County such as public safety, planning and zoning, property valuation, tax collection and distribution, vehicle licensing, County administration, and other activities financed from taxes and general revenues are reflected in this fund.

The *Road and Bridge Fund, a special revenue fund*, records costs related to County road and bridge construction and maintenance except for engineering and public works administration which is recorded in the General Fund. By State law, Colorado counties are required to maintain a Road and Bridge Fund and a portion of road and bridge taxes is allocated to cities and towns for use in their road and street activities.

The *Social Services Fund, a special revenue fund*, administers human services programs under state and federal regulations. Funding sources include, Federal and State grants as well as County property tax dollars. Programs include, but are not limited to, Medicaid, food stamps, foster care programs, senior service programs, job training services, and Temporary Assistance to Needy Families (TANF). Colorado counties are required by state law to maintain a Social Services Fund.

The County reports the following major enterprise funds:

The *Ambulance Service Fund* accounts for the activities of the County owned and operated ambulance service.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The *Solid Waste Management Fund* accounts for the solid waste management activities of the County including the operation of the County's only municipal solid waste landfill.

The County reports the following fund types:

The *Internal Service Fund* accounts for the financing of goods and/or services provided by Attorney Services and Human Resources, Accounting, Information Systems, Central Inventory Control, and Fleet Management to other County departments and funds, County involved jointly governed organizations and other governmental units on a cost reimbursed basis.

The *Custodial Funds* account for assets held by the County as an agent for individuals, private organizations, and other governments. These funds are custodial in nature. The County custodial funds include the following:

Treasurer Fund accounts for the receipt and disbursement of County revenues

Clerk and Recorder Fund accounts for resources received and disbursed by the County Clerk and Recorder on behalf of other government agencies

Sheriff Funds accounts for the receipt and disbursement of all inmate escrow and commissary transactions and civil trust activity

Public Trustee Fund is an intermediary and recorder for foreclosures and releases of deeds of trust.

E. Measurement Focus

The government-wide and proprietary fund statements are reported using the economic resources measurement focus. The government-wide, proprietary, and custodial fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. Property taxes are levied in December and attach as an enforceable lien on property as of January 1 of the following year. The County, through the Morgan County Treasurer, bills and collects its own property taxes as well as property taxes of all other taxing authorities within the County.

Taxes levied in December 2020, are recorded in governmental funds as taxes receivable and a deferred inflow of resources. Since property taxes are levied in December for the next calendar year's operations, the total levy is reported as taxes receivable and a deferred inflow of resources in the government-wide financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An allowance for uncollectible taxes is not provided as the uncollectible amounts were determined to be negligible based upon an analysis of historical trends. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net fund balance.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net position.

Custodial funds are unlike all other types of funds, reporting only assets and liabilities. Custodial funds, therefore, do not have a measurement focus, but use the accrual basis of accounting to recognize receivables and payables.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 120 days after year end except for property taxes which are within 60 days. The government considers property taxes as receivable if they are certified in the year prior to that in which collection is expected and a corresponding deferred inflow of resources. Revenue is recognized upon collection of the property taxes. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recognized when due.

Those revenues susceptible to accrual are grants from other governments, interfund transfers, licenses, interest revenue, and charges for services. Cigarette and property tax collected and held by the state at the end of the year on behalf of the County are recognized as revenue. Revenues collected by and held by one governmental agency for another within the reporting entity are considered susceptible to accrual. Fines, forfeitures, permits, and licenses are not susceptible to accrual because generally they are not measurable until they are received in cash.

The accrual basis of accounting is utilized by proprietary fund types and custodial funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Budgets

Annually appropriated budgets are adopted for all funds except the Custodial Funds. Budgets are adopted on a basis consistent with generally accepted accounting principles. All governmental funds are budgeted on the modified accrual basis of accounting with the proprietary funds budgeted on the accrual basis. All appropriations lapse at year end. The County presents certain items on a basis different than the adopted budget. These differences are disclosed in Note 12.

In the budget versus actual statements, the actual results of operations are presented on the budgetary basis of accounting for proper comparison to the budget.

G. Cash and Investments

For the purpose of the Statement of Cash Flows, cash and cash equivalents, includes amounts in demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the County.

State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. Investments are reported at fair value.

H. Short-term 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/payables". Short-term interfund loans are classified as "due from other funds" or "due to other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

I. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020, are recorded as prepaid items for enterprise and internal service funds.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Capital Assets

Capital assets, which include property, plant equipment, and infrastructure assets (i.e. roads, bridges, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and a useful life of more than one year. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

All reported capital assets, other than land, water rights, and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 - 50 years
Equipment	5 - 20 years
Vehicles	5 - 20 years
Infrastructure - Bridges	15 - 25 years
Infrastructure - Roads	15 - 50 years

L. Deferred outflows/inflows of resources

In addition to assets, statement of net position and fund balance sheets 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 County does not have any deferred outflows.

In addition to liabilities, the statement of net position and fund balance sheets 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/fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *deferred revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available at both the governmental fund level and the period the taxes are levied for at the statement of net position reporting level.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Compensated Absences

Accumulated personal time off (PTO) leave is reported as a liability for all leave related to past employee service for which payment to the employee is considered probable. The leave liability includes any non-vested leave earned by employees which is considered likely to vest.

Accumulated personal time off leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay the benefit. A liability for these amounts is reported in governmental funds only if they have matured, as a result of employee resignations and retirements. Accumulated personal time off leave for proprietary fund types is recorded as fund liabilities. All accumulated personal time off leave is accrued when incurred in the government-wide and proprietary financial statements.

N. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service or project expenditures.

O. Fund Balance

The County reports fund balances according to GASB statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Committed fund balance – amounts constrained to specific purposes by the County itself, using its highest level of decision making authority which is the Board of County Commissioners, by resolution. Committed funds cannot be used for other purposes unless the Board of County Commissioners approve a resolution to remove or change the constraint. The Board establishes, modifies, or rescinds fund balance commitments by passage of a resolution.
- Assigned fund balance – amounts the County intends to use for a specific purpose. Intent can be expressed by the Board of County Commissioners or by an official to which the Board delegates authority. The Board has given authority to the County Finance Director.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are only reported in the general fund.

The Board establishes assigned fund balance by a written directive to the Finance Director. In 2020, the assigned fund balance in the general fund consists of \$11,000,000 assigned to capital projects and \$163,572 assigned to other agencies. The assigned to other agencies in general fund includes: 1) \$56,451 held by the Morgan County Director of Cooperative Extension, 2) \$57,671 held by the Morgan County Fair Board, 3) \$46,075 held by the Morgan County Sheriff and 4) \$3,375 held by the Morgan County Clerk.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of County Commissioners has provided otherwise in its commitment or assignment actions.

P. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets, consist of capital assets, net of accumulated depreciation.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expenditure is incurred for purposes for which both restricted and unrestricted net position is available, the County considers restricted funds to have been spent first.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Interfund Transactions

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the County are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used, are reported as transfers.

R. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

Note 2: LEGAL COMPLIANCE - BUDGETS AND PROPERTY TAXES

On or before the 15th of September of each year, all agencies of the government submit requests for appropriation to the County Budget Officer so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and budget, and requested appropriations for the next fiscal year.

Colorado statutes provide the following timetable which is followed in the adoption of budget:

- 1) Submission of the proposed budget to the local governing body by October 15 of each year.
- 2) Levy all taxes and certify the levies by December 22.
- 3) Final adoption of budget and appropriations by December 31 of each year.
- 4) Lien for current year taxes attaches January 1.
- 5) Property taxes are due by April 30 of each year if paid in full, or in two equal installments due February 28 and June 15 of each year.
- 6) Taxes are considered delinquent June 16.
- 7) Liens are placed on property for which taxes are delinquent in November of each year.

Note 2: LEGAL COMPLIANCE - BUDGETS AND PROPERTY TAXES (continued)

Expenditures are appropriated for each individual fund. The appropriated budget is prepared by fund, function, and activity. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the County Commissioners. The legal level of budgetary control is the department level.

Note 3: DEPOSITS AND INVESTMENTS

Cash and Investments

At December 31, 2020, the County's deposits and investments were as follows:

Cash and Investments	
Cash	\$ 2,335
Cash held by County departments	227,873
Cash held by County Treasurer	62,070,348
Cash held in custodial funds	2,263,271
Total cash and investments	<u>\$ 64,563,827</u>

	<u>Total</u>
Cash	\$ 48,729
Cash Deposits	8,181,369
Certificates of Deposit	10,301,811
Local government investment pool - ColoTrust	16,118,317
Local government investment pool - CSafe	15,555,977
CSIP	13,357,774
Governmental Securities	999,850
	<u>\$ 64,563,827</u>

Investments in local government investment pools are rated AAAM by Standard & Poor's. Certificates of deposit have maturities ranging from 01/01/16 to 12/07/20. The investments in U.S. Treasury Bills have a maturity of less than one year.

Cash held by County Departments includes \$52,276 held by the County Sheriff, \$3,375 held by the County Clerk, \$56,451 held by the Morgan County Director of Cooperative Extension, \$57,671 held by Morgan County Fair Board, and \$2,476 held for IOG and \$55,624 held for others held by the County Department of Human Services.

Note 3: DEPOSITS AND INVESTMENTS (continued)

Investments

Interest rate risk. As a means of limiting its exposure to interest rate risk, the County diversifies its investments by security type and institution, and limits holdings in any one type of investment or any one type of institution. The County investment policy restricts the maximum investment term to no more than three years from the purchase date. This limit on investment maturities is a means of limiting exposure to fair values arising from changes in interest rates.

Credit risk. State law limits investments for local government to U.S. Treasury issues, other federally backed notes and credits, and other agency offerings.

Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency.

Investments consist of United States treasury bills, notes, and obligations of United States agencies. Investments are made in accordance with State statutes for the investment of public funds, and are stated at fair value. ColoTrust and C-Safe are vehicles established for local government entities in Colorado to pool surplus funds. In accordance with state law, the County operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. All of these funds operate similarly to a money market fund and each share is equal in value to \$1.00. Investments of ColoTrust and C-Safe consist of various U.S. Government obligations. 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 State Securities Commissioner administers and enforces all State statutes governing the trusts. These funds do not have any unfunded commitments, redemption restrictions or redemption notice periods.

ColoTrust and C-Safe investments are over \$1 billion in assets, rated AAAM by Standard & Poor's, and maintain a constant net asset value of \$1 per share. ColoTrust and C-Safe 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. Financial statements for CSAFE may be obtained at www.csafe.org and financial statements for ColoTrust may be obtained at www.ColoTrust.com.

Concentration of credit risk. The County limits investments to 20 percent to be invested with any one institution or in any single type of investment, with the exception of U.S. Treasury obligations, Government securities, and Government Agency backed securities.

Note 3: DEPOSITS AND INVESTMENTS (continued)

At December 31, 2020, unrealized gains were \$1,949, which reflects the adjustment to fair value of investments

Custodial Credit Risk – Deposits Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits might not be recovered. However, the Colorado Public Deposit Protection Act (PDPA) requires that deposits of all units of local governments be held at eligible public depositories, whose eligibility is determined by state regulators.

Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The State Regulatory Commission for banks and savings and loan associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Fair Value Measurements. To the extent available, the County's investments are recorded at fair value as of December 31, 2020. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

Investments that are measured using the net asset value (NAV) per share (or its equivalent) as a proxy are not classified in the fair value hierarchy. CSAFE and CSIP investments are reported at amortized cost which approximates fair value.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 Investments – values are based on quoted prices (unadjusted) for identical assets (or liabilities) in active markets that a government can access at the measurement date.

Note 3: DEPOSITS AND INVESTMENTS (continued)

Level 2 Investments with inputs – other than quoted prices included within Level 1 - that are observable for an asset (or liability), either directly or indirectly.

Level 3 Investments – classified as Level 3 have unobservable inputs for an asset (or liability) and may require a degree of professional judgment.

The County’s investments in Local Government Pools are measured at amortized cost.

Securities classified as Level 2 are valued as follows:

Govt. Sec: quoted prices for similar securities in active markets

Cert of Dep: matrix pricing based on securities’ relationship to benchmark quoted prices

The following table summarizes the County’s investments within the fair value hierarchy at December 31, 2020.

	Fair Value as of 12/31/20	Fair Value Measurement Using		
		Quoted prices in active markets for identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Certificates of Deposit	\$ 10,301,810	\$ -	\$ 10,301,810	\$ -
Government Securities	998,850	-	998,850	-
Total Investment by Fair Value Level	\$ 11,300,660	\$ -	\$ 11,300,660	\$ -

Additionally, at December 31, 2020, the County had \$16,118,317 in Colorado Local Government Liquid Asset Trust (ColoTrust), \$13,357,774 in Colorado Statewide Investment Program (CSIP), \$573,040 in Colorado Surplus Asset Fund Trust (CSAFE) cash account and \$14,982,937 in Colorado Surplus Asset Fund Trust (CSAFE) Core Account that are not valued at fair value.

Deposits

Federal Deposit Insurance Corporation (FDIC) coverage for government accounts is \$250,000 per official custodian. Of the bank balance, \$1,500,000 was covered by federal depository insurance. The remainder of the bank balance was collateralized with securities held by the pledging financial institution and covered by eligible collateral as determined by the PDPA.

Note 4: RECEIVABLES

Receivables at December 31, 2020, consist of the following:

	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Total
Receivables:						
Taxes	\$ 12,517,819	\$ 6,094,674	\$ -	\$ -	\$ -	\$ 18,612,493
Accounts & other	\$ 16,833	\$ 75,219	\$ -	\$ 622,886	\$ 6,802	\$ 721,740
Intergovernmental	\$ 786,839	\$ 681,475	\$ 258	\$ -	\$ -	\$ 1,468,572
Gross Receivables	\$ 13,321,491	\$ 6,851,368	\$ 258	\$ 622,886	\$ 6,802	\$ 20,802,805
Less: allowance for Uncollectibles	\$ -	\$ -	\$ -	\$ (353,328)	\$ -	\$ (353,328)
Net total receivables	<u>\$ 13,321,491</u>	<u>\$ 6,851,368</u>	<u>\$ 258</u>	<u>\$ 269,558</u>	<u>\$ 6,802</u>	<u>\$ 20,449,477</u>

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts.

Note 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balances 1/1/2020	2020 Additions	2020 Deletions	Balances 12/31/2020
Governmental Activities:				
Capital assets not being depreciated:				
Land and Water Rights	\$ 2,118,484	\$ -	\$ -	\$ 2,118,484
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	<u>\$ 2,118,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,118,484</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 19,905,177	\$ -	\$ -	\$ 19,905,177
Equipment	\$ 20,637,417	\$ 1,385,242	\$ (1,025,316)	\$ 20,997,343
Infrastructure	\$ 448,977,802	\$ 152,887	\$ -	\$ 449,130,689
Total capital assets being depreciated	<u>\$ 489,520,396</u>	<u>\$ 1,538,129</u>	<u>\$ (1,025,316)</u>	<u>\$ 490,033,209</u>
Less accumulated depreciation:				
Buildings and improvements	\$ (13,197,763)	\$ (444,472)	\$ -	\$ (13,642,235)
Equipment	\$ (13,508,186)	\$ (1,147,299)	\$ 930,859	\$ (13,724,626)
Infrastructure	\$ (354,012,071)	\$ (9,319,875)	\$ -	\$ (363,331,946)
Total accumulated depreciation	<u>\$ (380,718,020)</u>	<u>\$ (10,911,646)</u>	<u>\$ 930,859</u>	<u>\$ (390,698,807)</u>
Total capital assets being depreciated, net	<u>\$ 108,802,376</u>	<u>\$ (9,373,517)</u>	<u>\$ -</u>	<u>\$ 99,428,859</u>
Governmental activities capital assets, net	<u>\$ 110,920,860</u>	<u>\$ (9,373,517)</u>	<u>\$ (94,457)</u>	<u>\$ 101,452,886</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land and Water Rights	\$ 125,787	\$ -	\$ -	\$ 125,787
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	<u>\$ 125,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,787</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,720,466	\$ -	\$ -	\$ 1,720,466
Equipment	\$ 1,338,667	\$ 89,990	\$ (63,823)	\$ 1,364,834
Total capital assets being depreciated	<u>\$ 3,059,133</u>	<u>\$ 89,990</u>	<u>\$ (63,823)</u>	<u>\$ 3,085,300</u>
Less accumulated depreciation:				
Buildings and improvements	\$ (663,134)	\$ (46,078)	\$ -	\$ (709,212)
Equipment	\$ (796,524)	\$ (92,836)	\$ 63,823	\$ (825,537)
Total accumulated depreciation	<u>\$ (1,459,658)</u>	<u>\$ (138,914)</u>	<u>\$ 63,823</u>	<u>\$ (1,534,749)</u>
Total capital assets being depreciated, net	<u>\$ 1,599,475</u>	<u>\$ (48,924)</u>	<u>\$ -</u>	<u>\$ 1,550,551</u>
Business-type activities capital assets, net	<u>\$ 1,725,262</u>	<u>\$ (48,924)</u>	<u>\$ -</u>	<u>\$ 1,676,338</u>

Note 5: CAPITAL ASSETS (continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:		
General government	\$	481,030
Public safety		158,574
Auxiliary services		45,708
Roads and bridges		9,317,395
Public welfare		4,843
Capital assets held by Morgan County's internal service fund are charged to the various functions based on their usage of the assets		904,096
Total depreciation expense – government activities	\$	<u>10,911,646</u>
Business-type activities:		
Ambulance service	\$	69,641
Solid waste management fund		69,273
Total depreciation expense – business-type activities	\$	<u>138,914</u>

Note 6: RISK MANAGEMENT**County Workers' Compensation Pool**

The County is exposed to various risks of loss related to injuries of employees while on the job. In 1985, the County joined together with other Counties in the State of Colorado to form the County Workers' Compensation Pool (CWCP), a public entity risk pool currently operating as a common risk management and insurance program for member counties. The County pays an annual contribution to CWCP for its workers' compensation insurance coverage. The intergovernmental agreement of formation of CWCP provides that the Pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year.

Colorado Counties Casualty and Property Pool

The County is exposed to various risks of loss related to property and casualty losses. During 1986, the County was unable to obtain property and liability insurance at a cost it considered to be economically justifiable. Therefore, the County joined together with other Counties in the State of Colorado to form the Colorado Counties Casualty and Property Pool (CAPP), a public entity risk pool currently operating as a common risk management and insurance program for member counties. The County pays an annual contribution to CAPP for its property and casualty insurance coverage.

Note 6: RISK MANAGEMENT (continued)

The intergovernmental agreement of formation of CAPP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year.

County's Health and Life Insurance Pool

The County provides employee health and life insurance coverage for all full-time employees. Coverage in 2020 was provided through the County Health Pool (CHP).

The CHP provides medical and life insurance coverage for employees and their dependents. Claims are administered by National Benefit Administrators, Inc. Health care claims are managed by Anthem Blue Cross.

The amounts of settlements have not exceeded insurance coverage in any of the past three years for the above referenced pools.

Note 7: LONG-TERM OBLIGATIONS

During the year ended December 31, 2020, the following changes occurred in the County's long-term obligations:

	Balance 1/1/20	Additions	Deletions	Balance 12/31/20	One Year
Governmental Activities:					
Compensated absences	\$ 865,221	\$ 718,542	\$ (647,508)	\$ 936,255	\$ 658,173
Total Governmental	<u>865,221</u>	<u>718,542</u>	<u>(647,508)</u>	<u>936,255</u>	<u>658,173</u>
Business-Type Activities:					
Landfill closure and post closure care costs	934,148	34,695	-	968,843	-
Compensated absences	<u>77,286</u>	<u>66,045</u>	<u>(49,279)</u>	<u>94,052</u>	<u>70,522</u>
Total Business-Type	<u>1,011,434</u>	<u>100,740</u>	<u>(49,279)</u>	<u>1,062,895</u>	<u>70,522</u>
Total Long-term obligations	<u>\$ 1,876,655</u>	<u>\$ 819,282</u>	<u>\$ (696,787)</u>	<u>\$ 1,999,150</u>	<u>\$ 728,695</u>

At year-end, \$152,360 of internal service funds compensated absences are included in the above amounts. For governmental activities, the majority of compensated absences are liquidated by the General Fund. The landfill closure and postclosure costs are liquidated by the Solid Waste Fund, which is a business-type activity.

Note 8: INTERFUND ASSETS/LIABILITIES

The County 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. Interfund balances are generally expected to be repaid within one year of the financial statement date. The sum of all balances presented in the table agrees with the sum of interfund balances presented in the balance sheets for governmental and proprietary funds.

Interfund Receivables/Payables:

\$	54	Solid Waste Management
	(15,575)	Ambulance Service
	(10,415)	Solid Waste Management
<u>\$</u>	<u>(25,936)</u>	Business Type Totals
\$	(139,061)	General Fund
	(229,794)	Road & Bridge Department
	(15,167)	Social Services
	(216)	Jail Capital Improvement
	(287)	Lodging and Tourism
<u>\$</u>	<u>(384,525)</u>	
\$	410,461	Central Services Fund
<u>\$</u>	<u>25,936</u>	Governmental Activities Totals

Note 9: INTERFUND TRANSFERS

In 2020 the County General Fund transferred \$120,000 to the County Jail Capital Improvement Fund. The transfer was budgeted and done to increase funds being accumulated in the Jail Capital Improvement Fund. This fund was created to account for money for future expansion of the County’s Judicial Center building. The County also budgeted to transfer \$200,000 from the County Social Services Fund to the County General Fund. This transfer was budgeted to transfer excess property tax revenue that had accumulated in the Social Services Fund.

Note 10: TABOR COMPLIANCE

Emergency Reserve - Tax Spending and Debt Limitations

On November 3, 1992, the voters of Colorado approved Amendment 1, commonly known as the TABOR Amendment, which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado, all local governments, and special districts.

Note 10: TABOR COMPLIANCE (continued)

The County's financial activity for the year ended December 31, 2016, will provide the basis for calculation of future limitations adjusted for allowable increases tied to inflation and local growth. Subsequent to December 31, 2016, revenue in excess of the County's "spending limit" must be refunded unless voters approve the retainage of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases and new debt.

In November, 1996, the County's electorate approved a resolution to permit the County to collect and receive, retain, and expend all revenue and other funds from any source, notwithstanding the limitations of Article X, Section 20 of the Colorado Constitution, beginning with fiscal year 1995 and all succeeding years, provided however, that there is no increasing of tax rates or new taxes imposed.

TABOR is extremely complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance.

The County has made the following fund balance restriction as a result of Article X, Section 20 (TABOR) of the Colorado Constitution:

The Article requires an emergency restriction be set aside in the amount of 3% or more of its fiscal year spending. At December 31, 2020, the County has restricted \$1,000,000 in the General Fund for this purpose, which is in excess of the required 3%.

The County believes it has fully complied with the provisions of the TABOR amendment.

Note 11: CLOSURE AND POSTCLOSURE CARE COSTS

The Environmental Protection Agency and the Colorado Department of Health have approved various rules and regulations regarding the operation of solid waste landfills. These rules and regulations were effective in 1994 but the implementation was delayed until 1997. GASB adopted Statement #18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs, provides guidance for the accounting and financial reporting of these closure and postclosure costs. The GASB statement requires landfill operators to recognize these costs starting in 1994 even though the federal and state rules were not effective until 1997.

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these

Note 11: CLOSURE AND POSTCLOSURE CARE COSTS (continued)

closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Closure and postclosure care cost are calculated annually to allow for inflation.

In 2009, the County engaged Paragon Consulting Group to prepare a new Design and Operations Plan (D&O) for the Morgan County Solid Waste Landfill facility. With the implementation of the new baler system constructed in 2009, there have been considerable changes in operations from the last D&O updated in 2003. According to the new D&O submitted to the Colorado Department of Public Health Hazardous Materials and Waste Management Division, the life of the County Landfill will be extended to 2083. The previous landfill life estimate was 2051. In addition, the updated D&O estimate of total landfill capacity increased by 8,712 cubic yards.

In compliance with Section 1.8 of the Colorado Regulations Pertaining to Solid Waste Sites and Facilities (Regulations), a revised calculation of costs for closure and postclosure was completed in 2019 by American Environmental Consulting, LLC.

At December 31, 2020, the closure cost for the Morgan County landfill was \$2,239,721 and estimated postclosure care cost was \$503,763. The \$968,843 reported as landfill closure and postclosure care liability at December 31, 2020, represents the cumulative amount reported to date based on a 35.31 percent capacity usage of the estimated total cost of closure and postclosure care of \$2,743,484. This is an increase of \$35,695 from the closure and postclosure liability reported in 2019.

The County will recognize the remaining estimated cost of closure and postclosure care of \$1,774,641 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2020. The remaining life of the landfill is 62 years. The County expects to close the landfill in the year 2083. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The County will be required by state and federal laws and regulations to provide certain financial assurances, which might include making annual contributions to a trust, to finance these closure and postclosure care costs. The County does not expect to pay any postclosure costs within the next year.

Note 12: BUDGETARY DATA

The actual results of operations are presented in accordance with generally accepted accounting principles which differ in certain respects from those practices used in the preparations of the 2020 budget. For purposes of preparing the Statements of Revenues, Expenditures and Changes in Fund

Note 12: BUDGETARY DATA (continued)

Balance - Budget and Actual, the actual results of operations have been adjusted to a basis consistent with the County's budgeted revenues and expenditures.

Adjustments necessary to convert the expenditures at the end of the year on the GAAP basis to the budgetary basis are as follows:

	Proprietary Fund Types		
	Central Service Fund	Ambulance Service Fund	Solid Waste Management Fund
Net Income (Loss)			
GAAP Basis	\$ 734,616	\$ (164,318)	\$ 349,489
Increase (Decrease) Due To:			
Depreciation	904,096	69,641	69,273
Capital Outlay	(897,056)	(89,990)	
Net Income (Loss)			
Budgetary Basis	<u>\$ 741,656</u>	<u>\$ (184,667)</u>	<u>\$ 418,762</u>

Note 13: JOINTLY GOVERNED ORGANIZATIONS

The County, along with other counties and cities in Northeastern Colorado, participate in various intergovernmental service organizations. The County provides various levels of funding and normally has some degree of representation on the various Boards.

Northeastern Colorado Association of Local Governments

Northeastern Colorado Association of Local Governments was organized pursuant to Article XIV, Section 18 (2) of the Colorado Constitution and 29-1-401, 29-1-402, and 29-1-403, CRS.1973. Membership is open to the counties and incorporated municipalities comprising Colorado Planning and Management Region One. The purpose of the organization is to promote regional cooperation and coordination among local governments. The organization is governed by a Board of Directors. Morgan County's representation consists of one regular representative and one alternate representative to the Board. In 2020, the County paid \$42,703 to Northeastern Colorado Association of Local Governments.

Note 13: JOINTLY GOVERNED ORGANIZATIONS (continued)

Northeast Colorado Health Department

The Northeast Colorado Health Department's jurisdiction, at the discretion of the Board's of County Commissioners, extends over all unincorporated areas and all municipal corporations in Logan, Morgan, Phillips, Sedgwick, Washington, and Yuma Counties. The Department administers and enforces laws pertaining to public health, vital statistics, and water quality control. It is a public organization consisting of a Board of Health, a public health officer, and any other personnel as required to fulfill the functions of the Department. The Board of Health is comprised of eight members. Morgan County has two representatives on the Board, requiring that one appointee lives within the City of Fort Morgan. In 2020, the County paid \$277,362 to Northeast Colorado Health Department.

Centennial Mental Health Center

Centennial Mental Health Center was incorporated pursuant to C.R.S. 7-22-101-110 to serve the behavioral health needs of ten participating counties. The Board of Directors (Board) consists of twenty-one members. Morgan County has two directorships on the Board. The Board of County Commissioners has the right to name the Commissioner Representatives, who may be, but are not required to be, a member of the Board of Commissioners. At least one-half of the Board shall be persons who are not providers of health care. In 2020, the County did not make any contributions to Centennial Mental Health Center.

Note 14: RETIREMENT PLAN

Morgan County is a member of the Colorado Retirement Association, a multi-employer defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are entered into the plan upon hire date with the County. The County and the employee each contribute an amount equal to 4.00% of the employee's gross wages. Employees may make additional voluntary contributions. Contribution rates may be amended by vote of the County Commissioners.

Net earnings or losses are allocated quarterly to Plan participants. The allocation is based on each participant's balance at the beginning of that quarter. Participants receiving benefit payments upon retirement or termination are allocated earnings through the date of termination.

Participants vest in employer contributions and in the earnings, losses and changes in fair value of the plan assets on a 6-year vesting schedule. Participants are immediately vested 100% in their own contributions and earnings. County contributions and those

Note 14: RETIREMENT PLAN (continued)

earnings which have not vested to an employee terminating activity in the plan are returned to the County to use in meeting current and future funding requirements. Total retirement forfeiture was \$27,391.

Both the County and the covered employees made the required 4.00% contributions, amounting to \$434,861 from the County and \$622,851 from the employees (including voluntary contributions) for a total contribution of \$1,057,712.

If employment terminates, the Plan permits distribution of the vested account. Distribution may be made as soon as practicable following the date of termination. Morgan County does not offer post-employment retirement benefits

The Plan issues a complete stand-alone set of financial statements that meet all the reporting requirements of US GAAP. These financial statements are publicly available and may be obtained at: Colorado Retirement Association , 751 Southpark Drive, Littleton, CO 80120 or at the following web address: CRA-online.org.

Note 15: CONTINGENT LIABILITIES

The County is involved in various multi-county self-insurance pools. In the event the contributions to the pools are not enough to cover claims, the County may be required to provide additional funding.

The County receives significant financial assistance from numerous federal, state and other grant programs. The disbursement of finances received under these programs generally requires compliance with specific guidelines and is subject to audit by other agencies. Any disallowed claims resulting from such audits may create a liability.

At the time these financial statements were issued, the world economy continues to respond to the novel COVID-19 pandemic. Management is unable to reasonably estimate the amount or scope of the impact that this could have on its financial position. No accruals or adjustments are reflected in the current financial statements to account for the potential impacts of the pandemic.

