



MORGAN COUNTY, COLORADO

Comprehensive Annual Financial Report

For the fiscal year ended December 31, 2017



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Comprehensive Annual Financial Report
For the fiscal year ended December 31, 2017

Board of County Commissioners

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Mark Arndt
Laura Teague

Director of Finance

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Finance and Information Systems Departments

INTRODUCTORY SECTION

MORGAN COUNTY, COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

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MORGAN COUNTY ADMINISTRATION

June 30, 2018

To the Citizens of Morgan County, Colorado:

State law requires that every government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for Morgan County Government for the fiscal year ended December 31, 2017.

The County's Annual Financial Report was prepared by the Department of Accounting and Finance for Morgan County Government. The responsibility for both the accuracies of the data, and the completeness and the fairness of the presentation, including all disclosures, rests with the County. Morgan County has established a comprehensive internal control framework that is designed to both protect the County's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, Morgan County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the enclosed data is accurate in all material respects. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

State statutes require an annual audit by independent certified public accountants. The accounting firm of Watson Coon Ryan, LLC was selected to perform the 2017 audit. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards ("Uniform Guidance"). Information related to this single audit, including the schedule of federal financial assistance and auditor's reports on the internal control and compliance with applicable laws and regulations, is included in the single audit section. Watson Coon Ryan, LLC have issued an unmodified ("clean") opinion on Morgan County Government's financial statements for the year ended December 31, 2017. The independent auditor's report on the basic financial statements is located at the front of the financial section of this report. Management's discussion and analysis (MD&A) immediately follows the independent auditors report and provides a narrative introduction overview and an analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

This report includes activities for which the Board of County Commissioners is accountable to the citizens of Morgan County, financially, or by state statute. All applicable funds, departments, and offices are included in these financial statements as part of the primary government of Morgan County.

Morgan County Government offers a full range of services. These services include police protection; human services; ambulance services; solid waste management services; maintenance and construction of roadways, bridges, and infrastructure to support these activities; recreational and cultural facilities and events; 911 emergency telephone and other public safety telephone services; and land use planning services.

PROFILE OF MORGAN COUNTY

Morgan County is located on the High Plains of Northeastern Colorado, well-situated on Interstate Highway 76 and U.S. Highway 34. The County is only 79 miles from Metro Denver and major U.S. trade corridors. The Denver International Airport is within an hour's drive. The population of Morgan County is 28,288. Morgan County encompasses five incorporated cities and towns as well as a large unincorporated area. The largest city is Fort Morgan with a population of 11,329. Morgan County offers several community and recreational facilities. Jackson Lake is a popular recreational area in Morgan County that attracts weekend visitors as well as year-round residents wanting to retire to a rural area. The area offers fishing and boating while the climate allows year-round residence. Some of the finest hunting in North America is found in the area, including pheasant, turkey, grouse, quail, geese, duck, deer, and antelope. Morgan County has moderate summers, crisp falls, cool winters, and warm springs. There are 330 days of sunshine annually, 12.7 inches annual precipitation, and 22 inches average snowfall. Average January temperature is 24 degrees F.

PROFILE OF MORGAN COUNTY GOVERNMENT

The County is governed by a three-member Board of County Commissioners. Commissioners are elected from districts of relatively equal population by the voters at large. They serve staggered four-year terms and function as the County's policymaking body. The County is also served by seven other elected officials: assessor, clerk and recorder, coroner, district attorney, sheriff, treasurer, and surveyor.

The County Commissioners annually adopt budgets by department for all funds except the agency funds. The annual budget is approved and appropriated by fund. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level. Each department within a fund may not legally exceed the approved budget for that department without prior approval of the County Commissioners. Supplemental appropriations can be approved by the Board of County Commissioners if needed during the year to provide for those items that were unknown or unforeseen at the time the budget was originally adopted.

Morgan County Government employs 274 FTE's (full time equivalents). Full-time employees receive a comprehensive compensation package typical of county governments. Benefits include paid leave, medical insurance plans and a defined contribution retirement plan.

LOCAL ECONOMY

In 2017, the County assessed value certified by the County Assessor increased by 6%. This increase was due to it being a reappraisal year for property values. This increase is significant as Morgan County does not have a County sales tax, so assessed value is critical to the County's operations. Morgan County relies heavily on the agriculture industry, being ranked third among Colorado counties for value of crops and livestock produced. The major crops grown in the County include corn, sugar beets, hay, silage, wheat, potatoes, onions, alfalfa, and turf. The dairy industry also continues to have a strong presence. Net farm revenues continue to decrease and are projected to be lower, based on inflation, than those returned in the 1980's. This will have a substantial effect on our local economy. Cargill Meat Solutions Corporation is the largest employer in the county, employing 2,100 employees. The next largest employer is Leprino Foods with 350 employees followed by Colorado Plains Medical Center with 262 employees. The unemployment rate in Morgan County in 2017 was 2.3%. This is lower than the 2016 rate of 2.6%. Morgan County's unemployment rate of 2.3% is lower than the State rate of 3.0%. Morgan County's location near the Front Range allows easy access for the opportunities of the big cities while maintaining the benefits of a rural lifestyle – with a large residential growth in Wiggins, the most western community in Morgan County. The County prides itself on maintaining tradition while looking to the future.

COUNTY LONG-TERM FINANCIAL PLANNING

Facilities planning and maintenance continue to be a major area of emphasis for the County. The County is in the process of reviewing the capital improvement plan. The County Commissioners have convened a task force to analyze and plan for the increasing demands on the County's Jail/Judicial Complex which also houses the Communications Center, the Probation Department, the District Attorney, the Court and the Sheriff's Department. In order to address the situation the County created the Jail Capital Improvement Fund in 2008 to accumulate monies for the future expansion of the facility. The County may also have to look to the other municipalities to help fund the jail. The current complex was built in 1985.

MAJOR INITIATIVES

In 2015, Morgan County experienced severe flooding due to heavy rains which damaged our road system. Damages were extensive at several bridges and roads. The County has been receiving Federal funds to help defray the cost of repairs and completed its final project related to the damage in early 2017. In 2016, the County received a \$300,000 grant to do a study of the South Platte River and complete a plan to help mitigate future flooding damages. This project is a joint project with Logan County, Washington County and Sedgwick County. The study is projected to be complete in June 2018. In 2017, the County completed reconstruction on the Cooper Bridge. For 2018, Morgan County budgeted for two major capital Road and Bridge projects. The projects are for new asphalt on County Road Q and on County Road 24. In addition, the County has budgeted \$1.2 million to replace the roof at the Jail/Judicial Center.

Construction began in 2017 on the new Ambulance Service Building in Brush. In 2016 the County was awarded an Energy Impact Grant to help fund the County's new Brush Ambulance Service building. The building is estimated to cost \$460,000. The County was awarded \$200,000 from the grant and the County Ambulance Service Fund will fund the remaining \$260,000 from capital reserves. The new building project will be completed in 2018. For the 2018 budget, the Ambulance Service has requested power cots be installed in all ambulances. The cost for this project is \$250,000. The County will apply for multiple grants to help fund the cost of the power cots.

Conservation Trust Fund money was used in 2017 to purchase land adjacent to the County Fairgrounds site. The County also completed the project to upgrade the Fairgrounds audio system in 2017. Funds in the Conservation Trust Fund are the County's portion of lottery money collected by the State of Colorado.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Morgan County for its comprehensive annual financial report for the fiscal year ended December 31, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Morgan County Government has received a Certificate of Achievement for the last twenty-four consecutive years (fiscal years ended 1993-2016). We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

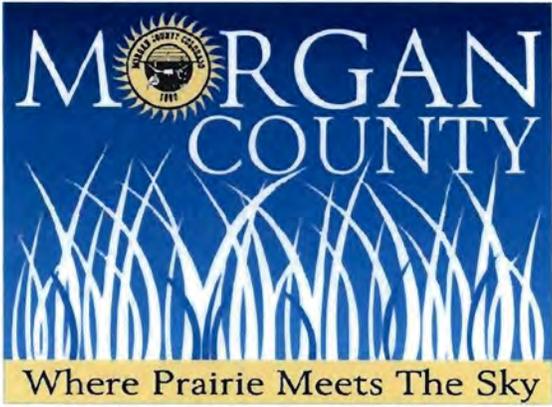
ACKNOWLEDGEMENTS

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance and Accounting department and Information Systems department. Each member of the departments has our sincere appreciation for the contributions made in the preparation of this report. These people work together as a highly effective team to promote the excellence we strive for. Appreciation is also expressed to the Board of County Commissioners who establishes the policies which provide for sound financial management and to all the other elected officials, department heads, and County employees for their cooperation in matters pertaining to the financial affairs of the County.

Respectfully submitted,

A handwritten signature in cursive script that reads "Michelle R. Covelli".

Michelle R. Covelli
Director of Finance and Accounting





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

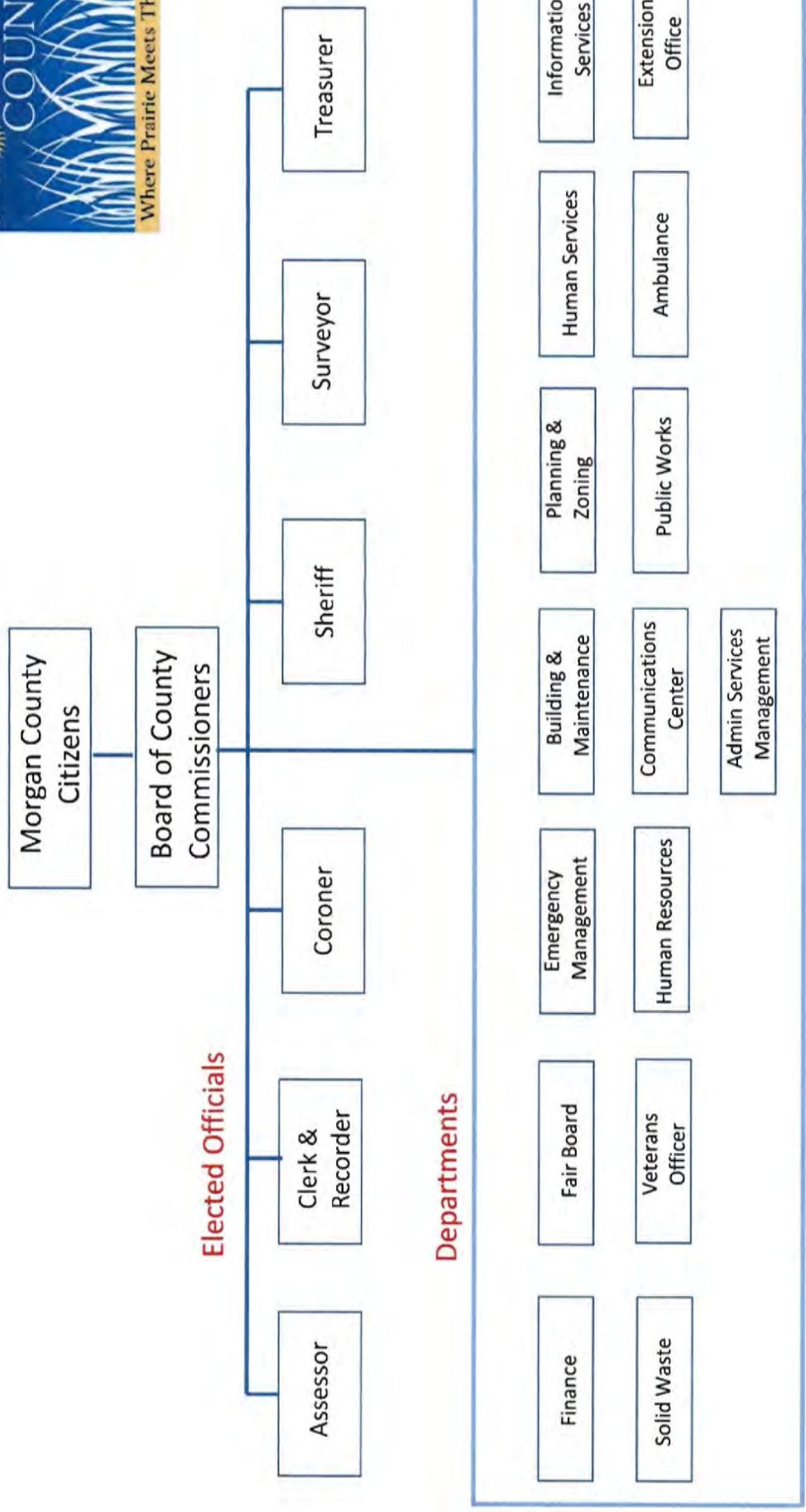
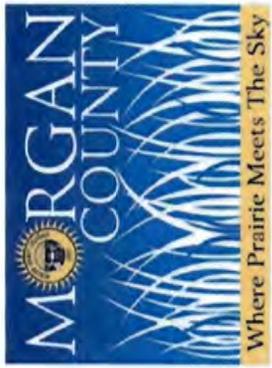
**Morgan County
Colorado**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO



MORGAN COUNTY, COLORADO

List of Principal Officials

December 31, 2017

TITLE

NAME

ELECTED

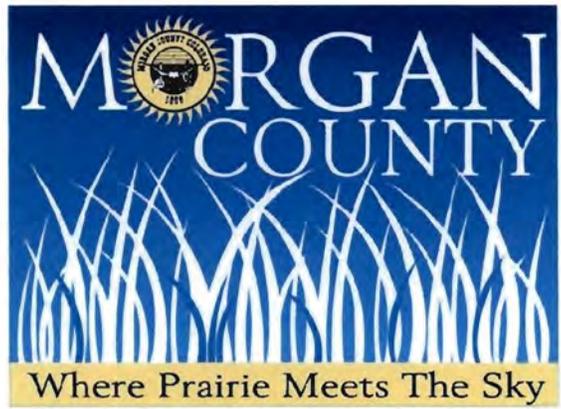
Chairman, Board of County Commissioners
Commissioner
Commissioner
Assessor
Clerk & Recorder
Coroner
Sheriff
Surveyor
Treasurer

Jim Zwetzig
Mark A. Arndt
Laura Teague
Robert L. Wooldridge
Susan L. Bailey
Don Heer
James Crone
Nichole F. Hay
Robert A. Sagel

APPOINTED

Accounting & Finance Director
Administrative Services Manager
Ambulance Manager
Attorney
Director of Communications
Director of Extension
Director of Human Services
Emergency Operations Coordinator
Information Systems Manager
Manager of Bridge Construction
Manager of Building Operations
Manager of Environment
Manager of Road Construction
Planning & Zoning Administrator
Public Works Director
Shop Manager
Veterans Officer

Michelle Covelli
Kristi Waite
Joe King
Jeff Parker
Danette Martin
Janice Dixon
Jacque Frenier
Steve Enfante
Karol L. Kopetzky
Richard Early
Dave Cornwell
Cass Yearous
John Goodman
Pam Cherry
Bruce Bass
James Monroe
Daniel Scalise



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Morgan County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Morgan County, Colorado, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County'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, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 14-23, and 70-75 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.

Report on Summarized Comparative Information

We have previously audited the County's 2016 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated June 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; combining and individual nonmajor fund financial statements and schedules; the Local Highway Finance Report; the Schedule of Federal Financial Assistance Reconciliation and introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, combining and individual nonmajor fund financial statements and schedules; the Local Highway Finance Report; and the Schedule of Federal Financial Assistance Reconciliation 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 Schedule of Expenditures of Federal Awards combining and individual nonmajor fund financial statements and schedules; the Local Highway Finance Report; and the Schedule of Federal Financial Assistance Reconciliation are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018 on our consideration of the County'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Watson Coon Ryan, LLC

GREENWOOD VILLAGE, COLORADO
JUNE 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Morgan, we offer readers of Morgan County Government's financial statements this narrative overview and analysis of the financial activities of Morgan County for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the letter of transmittal and basic financial statements to enhance their understanding of the County's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of Morgan County exceeded liabilities and deferred inflows of resources by \$172.1 million (net position) at the end of 2017. Of this amount, \$37 million may be used to meet the government's ongoing obligations to citizens and creditors. The remaining \$135.1 million is invested in capital assets or restricted by law.
- The County's General Fund balance was \$25.5 million as of December 31, 2017. Of this amount, \$750,000 is restricted for emergencies, \$92,327 is restricted for Clerk E-filing, \$2,333 is committed for the Tri Centennial, \$471,104 is committed for the Human Services building, \$11 million is assigned for capital building projects, and \$186,134 is assigned for other agencies. The remaining \$13 million is unassigned fund balance. The 2016 fund balance was \$22.6 million.
- The total 2017 General Fund balance is \$25.5 million, which is \$2.9 million more than the 2016 General Fund operating expenditures plus transfers out. Morgan County does not have a county sales tax and relies heavily on property tax collections as a main revenue source. Current property taxes represent 70% of the General Fund revenue in 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. Morgan County's basic financial statements comprise three components: 1) government-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 including combining statements for non-major funds, and a statistical section.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the County's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Morgan County is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus

revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods, for example uncollected taxes and earned but unused vacation leave.

Both of the government-wide financial statements distinguished functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Morgan County include general government, public safety, highways and bridges, recreation, and human services. The business-type activities of the County include operation of a solid waste landfill and a County ambulance service.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Morgan County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Morgan County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Morgan County maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, road and bridge fund, and the social services fund, all of which are considered to be major funds. Morgan County adopts an annual appropriated budget for all major funds. A budgetary comparison statement has been provided for all major governmental funds on pages 70–74 of this report. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of combining statements on pages 78–81 in this report. Governmental funds budgets for the non-major funds are provided on pages 82–87. The basic governmental fund financial statements can be found on pages 30–36 of this report.

Proprietary Funds. Morgan County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented in the business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the solid waste landfill and the ambulance service operation. The County also maintains an internal service fund as an accounting device used to accumulate and allocate costs internally among the County's various functions. Morgan County uses the internal service fund to account for its fleet of vehicles, county attorney, human resources, accounting and purchasing services and its management

information systems. Because these services predominately benefit governmental rather than business-type functions, they are included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Solid Waste Management Fund and the Ambulance Service Fund, both of which are considered to be business type activities funds as well as the Internal Service Fund which is considered a governmental activities fund.

Enterprise Fund statements are on pages 37–39. The Internal Service Fund comparative schedule of net position is on page 94. Budget to actual comparisons for the Enterprise Funds are on pages 90–91. Budget to actual comparison for the Internal Services Fund is on page 95.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support Morgan County's own operations. One of four types of fiduciary funds is Agency Funds. Morgan County maintains four Agency Funds. The accounting used for fiduciary funds is much like that used for proprietary funds. A combining Statement of Agency Funds is on page 98. Individual statements are provided on pages 99–102.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 41–66 of this report.

COUNTY-WIDE FINANCIAL ANALYSIS

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2017, assets exceeded liabilities and deferred inflows of resources by \$172.1 million. The largest portion of Morgan County's net position (73%) is invested in capital assets. The net investment in capital assets is \$126 million. These assets include land, buildings, machinery, and equipment, as well as infrastructure. These capital assets are used to provide services to citizens and are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources as the assets themselves cannot be liquidated to repay the debt.

An additional \$9 million of net position represents resources that are subject to external restrictions on how they may be used. The largest portion of the restricted net position, \$5.5 million, is restricted for County roadways.

The County had an unrestricted net position of \$37 million, which may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of 2017, Morgan County had positive balances in all three categories of net position both for governmental activities and business type activities. The three categories of net position are: net investment in capital assets, assets subject to certain restrictions, and unrestricted assets.

Morgan County Government
Net Position

	Governmental activities		Business-type activities		Total Government	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 59,846,142	\$ 56,042,840	\$ 6,002,075	\$ 5,672,615	\$ 65,848,217	\$ 61,715,455
Capital assets	124,241,092	131,089,740	1,782,910	1,339,384	126,024,002	132,429,124
Total assets	<u>184,087,234</u>	<u>187,132,580</u>	<u>7,784,985</u>	<u>7,011,999</u>	<u>191,872,219</u>	<u>194,144,579</u>
Liabilities						
Current liabilities	1,673,744	2,179,823	91,025	80,305	1,764,769	2,260,128
Long-term liabilities	<u>984,200</u>	<u>418,723</u>	<u>1,020,247</u>	<u>972,227</u>	<u>2,004,447</u>	<u>1,390,950</u>
Total liabilities	<u>2,657,944</u>	<u>2,598,546</u>	<u>1,111,272</u>	<u>1,052,532</u>	<u>3,769,216</u>	<u>3,651,078</u>
Deferred Property Tax Revenue	<u>15,984,233</u>	<u>15,086,892</u>	-	-	<u>15,984,233</u>	<u>15,086,892</u>
Total liabilities and deferred inflows of resources	<u>18,642,177</u>	<u>17,685,438</u>	<u>1,111,272</u>	<u>1,052,532</u>	<u>19,753,449</u>	<u>18,737,970</u>
Net position						
Net investment in capital assets	124,241,092	131,089,740	1,782,910	1,339,384	126,024,002	132,429,124
Restricted	9,040,123	9,647,561	-	-	9,040,123	9,647,561
Unrestricted	<u>32,163,842</u>	<u>28,709,841</u>	<u>4,890,803</u>	<u>4,620,083</u>	<u>37,054,645</u>	<u>33,329,924</u>
Total net position	<u>\$ 165,445,057</u>	<u>\$ 169,447,142</u>	<u>\$ 6,673,713</u>	<u>\$ 5,959,467</u>	<u>\$ 172,118,770</u>	<u>\$ 175,406,609</u>

The total net position decreased in 2017 by \$3.3 million.

The total restricted net position decreased by \$607,438. The largest decrease in restricted funds was in Conservation Trust Fund which decreased 66%. The decrease was due to the purchase of land at the County Fairground facilities.

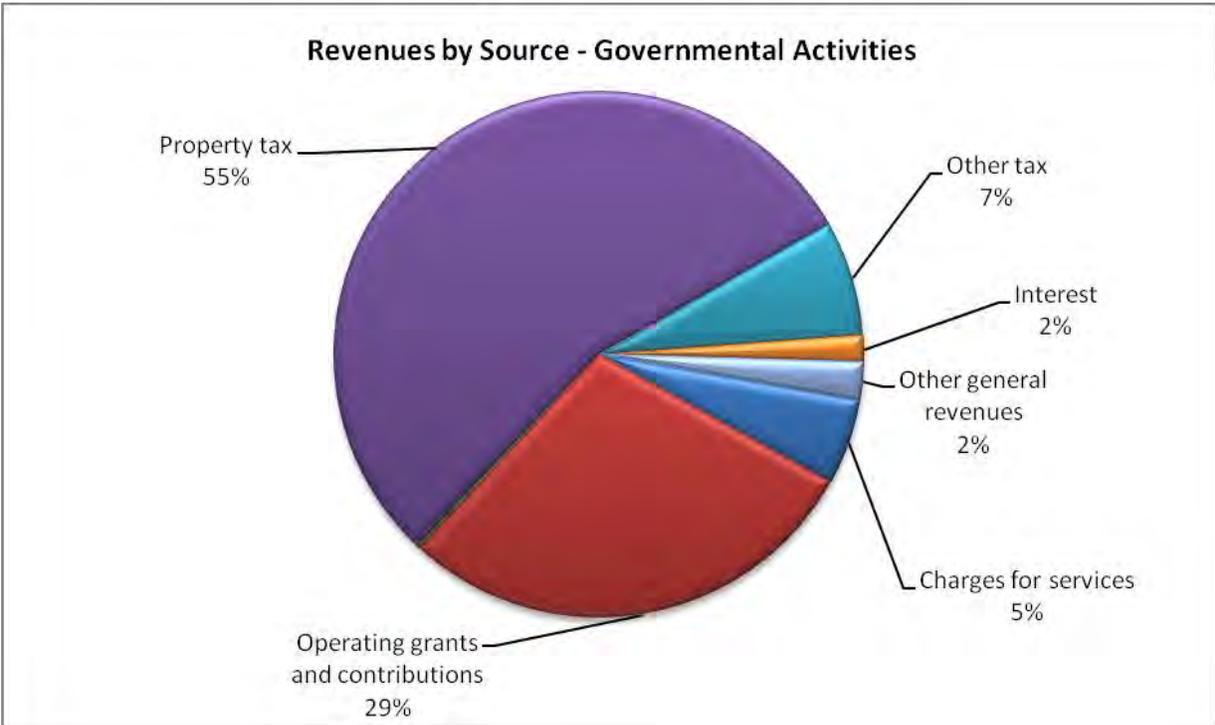
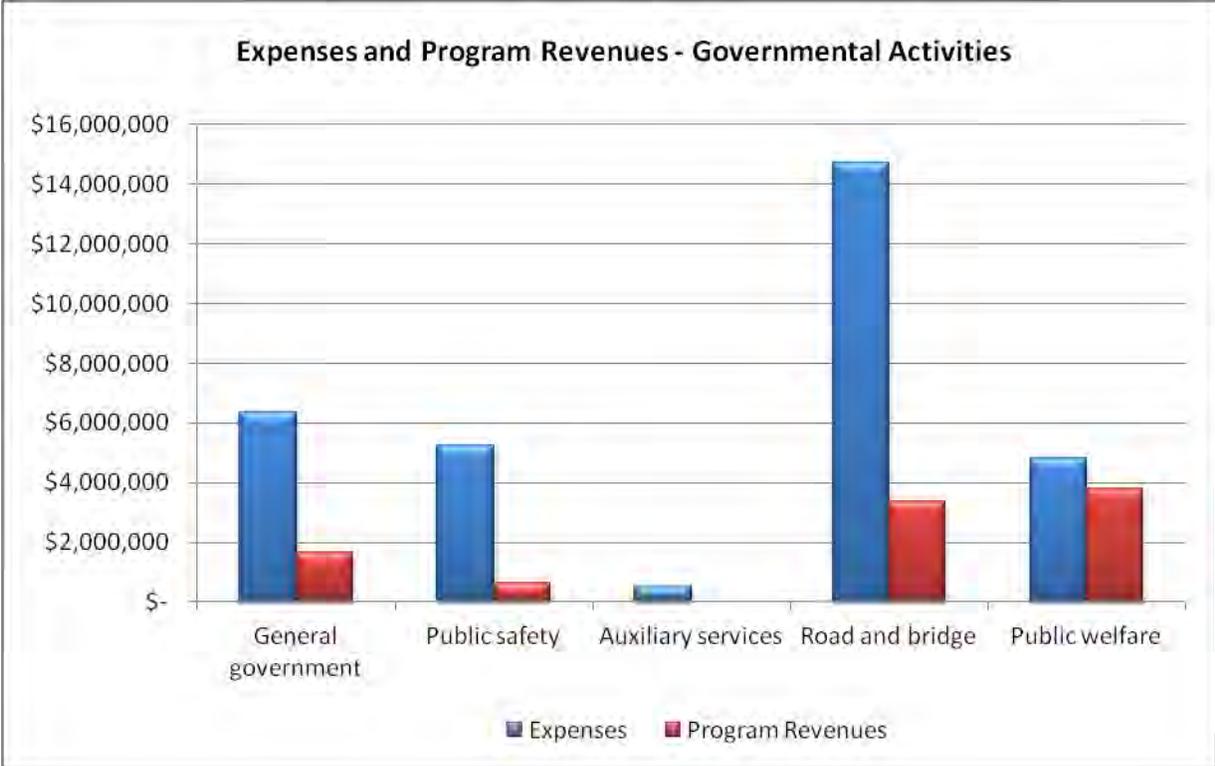
Net investment in capital assets decreased \$6.4 million in 2017. The majority of the decline was from depreciation calculated on capital assets.

Governmental activities. Governmental activities decreased Morgan County's net position by \$4.0 million. The decrease in net position in the governmental funds is due to the depreciation expense in the Road and Bridge Fund.

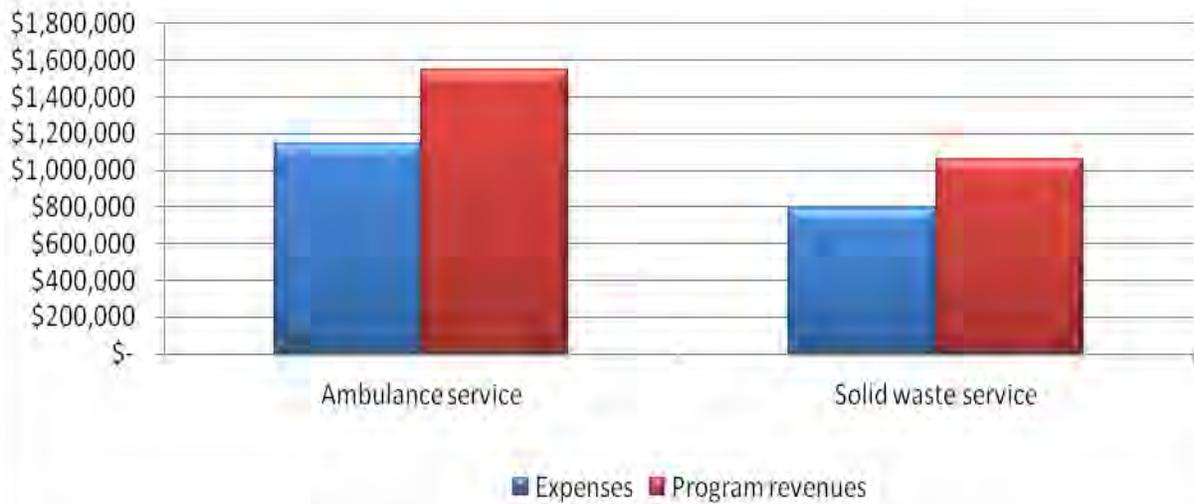
Business type activities. Business type activities increased Morgan County's net position by \$714,246. The increase was due mainly to an increase in the Solid Waste Management Fund. The following shows the elements of the County's decrease in net position:

**Morgan County Government
Changes in Net Position**

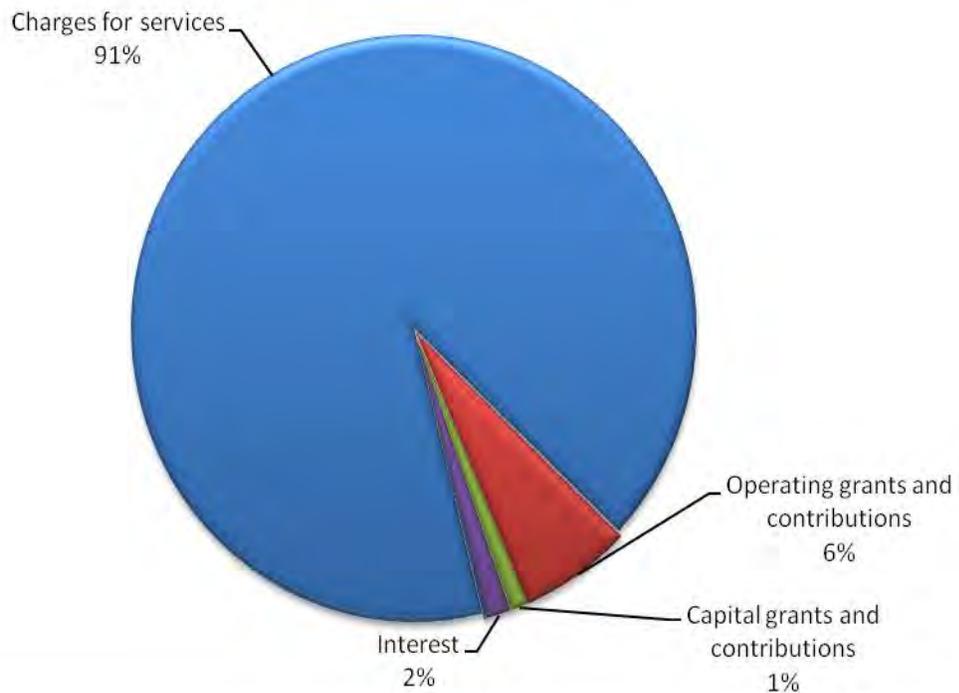
	Governmental activities		Business-type activities		Total Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 1,454,039	\$ 1,147,496	\$ 2,413,894	\$ 2,235,176	\$ 3,867,933	\$ 3,382,672
Operating grants and contributions	7,936,012	7,328,010	170,419	3,505	8,106,431	7,331,515
Capital grants and contributions	51,157	-	27,271	-	78,428	-
General revenues						
Property tax	15,118,777	15,047,692	-	-	15,118,777	15,047,692
Other tax	1,954,419	1,773,132	-	-	1,954,419	1,773,132
Interest	434,313	244,482	37,928	30,169	472,241	274,651
Other general revenues	<u>642,320</u>	<u>635,840</u>	<u>3,419</u>	<u>2,957</u>	<u>645,739</u>	<u>638,797</u>
Total revenues	<u>27,591,037</u>	<u>26,176,652</u>	<u>2,652,931</u>	<u>2,271,807</u>	<u>30,243,968</u>	<u>28,448,459</u>
Expenses						
General government	6,353,665	5,520,906	-	-	6,353,665	5,520,906
Public safety	5,248,513	5,078,786	-	-	5,248,513	5,078,786
Auxiliary services	500,709	440,388	-	-	500,709	440,388
Roads and bridges	14,695,292	13,072,223	-	-	14,695,292	13,072,223
Public welfare	4,794,943	4,713,540	-	-	4,794,943	4,713,540
Ambulance services			1,145,209	1,070,858	1,145,209	1,070,858
Solid waste services			<u>793,476</u>	<u>763,632</u>	<u>793,476</u>	<u>763,632</u>
Total expenses	<u>31,593,122</u>	<u>28,825,843</u>	<u>1,938,685</u>	<u>1,834,490</u>	<u>33,531,807</u>	<u>30,660,333</u>
Increase (decrease) in net position	(4,002,085)	(2,649,191)	714,246	437,317	(3,287,839)	(2,211,874)
Net position - January 1	<u>169,447,142</u>	<u>172,096,333</u>	<u>5,959,467</u>	<u>5,522,150</u>	<u>175,406,609</u>	<u>177,618,483</u>
Net position - December 31	<u>\$ 165,445,057</u>	<u>\$ 169,447,142</u>	<u>\$ 6,673,713</u>	<u>\$ 5,959,467</u>	<u>\$ 172,118,770</u>	<u>\$ 175,406,609</u>



Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, Morgan County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The County's governmental funds financial position increased during the year 2017. The total fund balances in the governmental funds increased by \$2.9 million. As of the end of 2017, the combined ending fund balance of County governmental funds was \$38.8 million. Approximately 34% of this consists of unassigned fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance is restricted or committed for a specific purpose by the current County Commissioners. The County has restricted funds for the following purposes: 1) a state-constituted mandated emergency reserve \$750,000, 2) a state mandated clerk technology fund \$92,327, 3) a state statute for Social Services \$995,041, 4) a state statute for roadways \$5,484,356, 5) a state statute for the 911 emergency telephone services \$999,050, 6) a state statute to promote tourism in the County \$541,528, 7) a state statute to promote parks and recreation \$174,515, and 8) a state statute regulating law enforcement confiscation and seizure \$3,306.

Propriety Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

The County has two enterprise-type proprietary funds, the Solid Waste Management Fund and Ambulance Service Fund.

- ❖ **Solid Waste Management Fund.** Unrestricted net position of this fund at the end of the year amounted to \$3,671,241. This is an increase of \$311,917 from unrestricted net position at the end of 2016.
- ❖ **Ambulance Service Fund.** Unrestricted net position of this fund at the end of 2017 amounted to \$1,219,562. This is a decrease of \$41,197 from unrestricted net position at the end of 2016.

The County has one Internal Service Fund type Proprietary Fund. The Internal Service Fund is a governmental activity fund in the Proprietary Fund financial statements. The County's Internal Service Fund, the Central Services Fund, has unrestricted net position of \$3.2 million.

The County has three major governmental funds. These are the General Fund, Road and Bridge Fund, and Social Services Fund.

- ❖ **General Fund.** This is the primary operating fund of the Morgan County Government. It accounts for many of the County's core services such as law enforcement, the County Assessor, County Clerk and Recorder and planning and zoning. The general fund's fund balance as of December 31, 2017, was \$25.5 million. Of this amount, \$12.5 million is restricted or assigned for a specific purpose. As a measure of the general fund's liquidity, it may be useful to compare the fund balance and total fund balance to total

fund expenditures. Unassigned fund balance is 112% of total 2017 expenditures and transfers in the general fund.

- ❖ **Road and Bridge Fund.** The Road and Bridge Fund is mandated by state statutes. This fund accounts for costs related to County road and bridge construction and maintenance of same. The Road and Bridge Fund has \$9.3 million in fund balance at the end of 2017. Of this amount, \$5.5 million is restricted for future capital highway projects, and \$102,970 is nonspendable for bridge inventory and \$3.7 million is committed for future capital road and bridge projects. Total Road and Bridge fund balance increased by \$116,968 in 2017. Revenues increased in 2017 by \$678,213. In 2017, the total expenditures in the Road and Bridge Fund increased by \$662,435. The increase in expenditures was due to the reconstruction of a major county bridge.
- ❖ **Social Services Fund.** This fund is also State mandated. It accounts for the local share of many Federal and State public welfare programs. The Social Services fund balance at the end of 2017 was \$995,041. This is an increase of \$58,744 from the 2016 fund balance. The \$995,041 fund balance is restricted for public welfare programs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County's budget is prepared according to Colorado statutes. The most significant budgeted fund is the General Fund. The actual revenues were \$648,722 more than the budgeted amount. The actual expenditures in the County's General Fund did not reach the budgeted amount. This was due to capital projects that were rescheduled for future years.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Morgan County's net investment in capital assets for its governmental and business type activities as of December 31, 2017 totals \$126 million (net of accumulated depreciation). This investment includes all land, buildings, machinery and equipment, as well as infrastructure constructed from 1980 through 2017.

	Governmental activities		Business-type activities		Total Government	
	2017	2016	2017	2016	2017	2016
Land and Water Rights	\$ 1,581,496	\$ 1,266,521	\$ 108,598	\$ 68,510	\$ 1,690,094	\$ 1,335,031
Building and Improvements	6,474,655	6,929,909	703,256	739,433	7,177,911	7,669,342
Machinery and Equipment	6,628,979	6,383,047	522,828	531,440	7,151,807	6,914,487
Infrastructure Construction in Progress	109,276,601	116,135,847	-	-	109,276,601	116,135,847
	<u>279,361</u>	<u>374,416</u>	<u>448,228</u>	<u>-</u>	<u>727,589</u>	<u>374,416</u>
Total capital assets	<u>\$ 124,241,092</u>	<u>\$ 131,089,740</u>	<u>\$ 1,782,910</u>	<u>\$ 1,339,383</u>	<u>\$ 126,024,002</u>	<u>\$ 132,429,123</u>

Additional information on the Morgan County capital asset activity can be found in note 5 of this report.

Debt. The County has no debt as of December 31, 2017.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2017 budget:

- The County assessed value in 2017 increased by 6%. This amounts to an increase of \$895,814 in property tax revenue. The increase in assessed value was due mainly to the reappraisal done. Every odd year a reappraisal of values is done by the County Assessor. Morgan County's assessed value is critical to revenues as there is no County sales tax levied. The County's agricultural industry has been the backbone of the area's economy for many years. The County continues to promote economic development in Morgan County.
- The County has historically, and continues to be, fiscally responsible. A fund balance for the County was carefully invested.
- Planning has begun on building expansion and updating of the existing County Jail/Judicial Complex.
- The County Social Services department continues to address increasing case loads and increasing costs to local government.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Morgan County's finances for all those with an interest in the government's finances. Financial information for the Morgan County Building Authority is included in the County's primary government financial statements and separate financial statements are not prepared. Questions concerning any of the information provided in this or for additional information should be addressed to the Finance Director, P.O. Box 189, Fort Morgan, CO 80701.

