



MORGAN COUNTY, COLORADO

Annual Comprehensive Financial Report

For the fiscal year ended December 31, 2022



MORGAN COUNTY, COLORADO
Annual Comprehensive Financial Report
For the fiscal year ended December 31, 2022

Board of County Commissioners

Mark Arndt, Chairman
Jon Becker
Gordon Westhoff

Director of Finance

Michelle Covelli
Dustin Corliss, Interim

Director of Information Systems

Karol Kopetzky

Information Systems Specialist

Vicki Jump

Payroll Manager

Lori Crispin

Accounting Specialists

Pamela Arndt
Raina Hallahan

Payroll Technician

MJ Rhoades

INTRODUCTORY SECTION

MORGAN COUNTY, COLORADO
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022

TABLE OF CONTENTS

INTRODUCTORY SECTION	<u>Page No.</u>
Letter of Transmittal	1 – 5
GFOA Certificate of Achievement	7
Organizational Chart	8
List of Principal Officials	9
FINANCIAL SECTION	
Independent Auditors' Report	11 – 13
Management's Discussion and Analysis	14 – 23
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	27
Statement of Activities	28 – 29
Governmental Funds Financial Statements:	
Balance Sheet	30
Reconciliation of the Balance Sheet to the Statement of Net Position	32
Statement of Revenues, Expenditures and Changes in Fund Balances	33
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	34
Proprietary Funds Financial Statements:	
Statement of Net Position	35
Statement of Revenues, Expenses and Changes in Fund Net Position	36
Statement of Cash Flows	37
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	38
Statement of Changes in Fiduciary Net Position	39
Notes to the Financial Statements	40– 63

Required Supplementary Information Other Than MD&A:

Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budgets and Actual:

Major Funds:

General Fund	68 – 69
Road and Bridge Fund	70
Social Services Fund	71
Notes to the Required Supplementary Information	72

Supplemental Information:

Combining Statements of Nonmajor Governmental Funds:

Combining Balance Sheet	76 – 77
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	78 – 79

Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:

Special Revenue Funds:

911 Emergency Telephone Fund	80
Lodging Tax Tourism Fund	81
Conservation Trust Fund	82
Sheriff's Confiscation/Seizure Fund	83

Capital Improvement Funds:

Jail Capital Improvement Fund	84
-------------------------------	----

Enterprise Funds:

Comparative Schedules of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual:

Ambulance Service Fund	87
Solid Waste Management Fund	88

Internal Service Fund:

Comparative Schedule of Net Position	91
Comparative Schedule of Revenues, Expenses and Changes in Net Position	92

Page No.

Fiduciary Funds:

Combining Statement of Fiduciary Net Position	94
Combining Statement of Changes in Fiduciary Net Position - Custodial Funds	95

Supplemental Schedules:

Local Highway Finance Report	98 – 99
Schedule of Federal Financial Assistance Reconciliation	100 – 101

STATISTICAL SECTION

Net Position by Component	104 – 105
Changes in Net Position	106 – 109
Fund Balance, Governmental Funds	110 – 111
Changes in Fund Balances of Governmental Funds	112 – 113
Program Revenues by Function/Program	114 – 115
Tax Revenues by Source, Governmental Funds	116
Assessed Value and Estimated Value of Taxable Property	118 – 119
Direct and Overlapping Property Tax Rates	120 – 121
Principal Property Tax Payers	122
Property Tax Levies and Collections	123
Ratios of Outstanding Debt by Type	124
Direct and Overlapping Governmental Activities Debt	125
Legal Debt Margin Information	126
Demographic and Economic Statistics	127
Principal Private Employers	129
Full-Time Equivalent County Government Employees by Function/Program	130 – 131
Operating Indicators by Function/Program	132 – 133
Capital Asset Statistics by Function/Program	134 – 135

SINGLE AUDIT SECTION

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	137 – 138
Independent Auditors' Report on Compliance For Each Major Federal Program: And Report On Internal Control Over Compliance In Accordance With The Uniform Guidance	139 – 141
Schedule of Expenditures of Federal Awards	142
Notes to the Schedule of Expenditures of Federal Awards	143
Schedule of Findings and Questioned Costs	144 - 145





MORGAN COUNTY ADMINISTRATION

August 28, 2023

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, 2022.

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 2022 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, 2022. The independent auditors' 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 29,239. 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 11,453. 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, 14.9 inches annual precipitation, and 29.7 inches average snowfall. Annual average temperature is 64 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 custodial 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 281 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 2021, the County assessed value certified by the County Assessor increased by 5.4%. This increase is significant as Morgan County does not have a County sales tax, so assessed value is critical to the County's operations. Agriculture is the primary industry in Morgan County with retailers, other locally focused businesses, and government operations supporting area farming and ranching communities. 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. Cargill Meat Solutions Corporation is the largest employer in the county, employing 2,100 employees. The next largest employer is Viaero Wireless with 501 employees followed by Leprino Foods with 350 employees. The unemployment rate in Morgan County in 2022 was 2.7%. Morgan County's unemployment rate of 2.7% is slightly lower than the State rate of 2.8%. 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 decided to use the County's American Recovery Funds for an expansion project to be constructed at the County Jail facility. The County experienced problems segregating inmates during the COVID pandemic. The County did create the Jail Capital Improvement Fund in 2008 to accumulate monies for the future expansion of the facility. In addition, the County will apply for a grant to help fund the Jail project. 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 2022, the County constructed a new building to house one of the County's motorgraders. This building was built to replace an older facility. The new building will be used to store machinery and equipment for the area south of Fort Morgan.

The Sheriff's department purchased body camera equipment for their all units and officers using partial funding from a grant the County received. The cost of this project was \$130,000.

In addition, in 2022, the County applied for an Energy Impact Assistance grant through the Colorado Department of Local Affairs. The County was awarded a \$700,000 grant for a project to improve energy efficiency for the Morgan County Justice Center, Department of Human Services building, County Administration building, and Morgan County Fairgrounds. This project will begin in 2023 to be completed in 2024.

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 annual comprehensive financial report for the fiscal year ended December 31, 2021. 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 annual comprehensive financial report (ACFR), 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-nine consecutive years (fiscal years ended 1993-2021). We believe that our current annual comprehensive 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 annual comprehensive 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 blue ink that reads "Dustin Corliss". The signature is written in a cursive style with a light blue shadow effect behind the text.

Dustin Corliss
Interim Director of Finance and Accounting





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Morgan County Government
Colorado**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

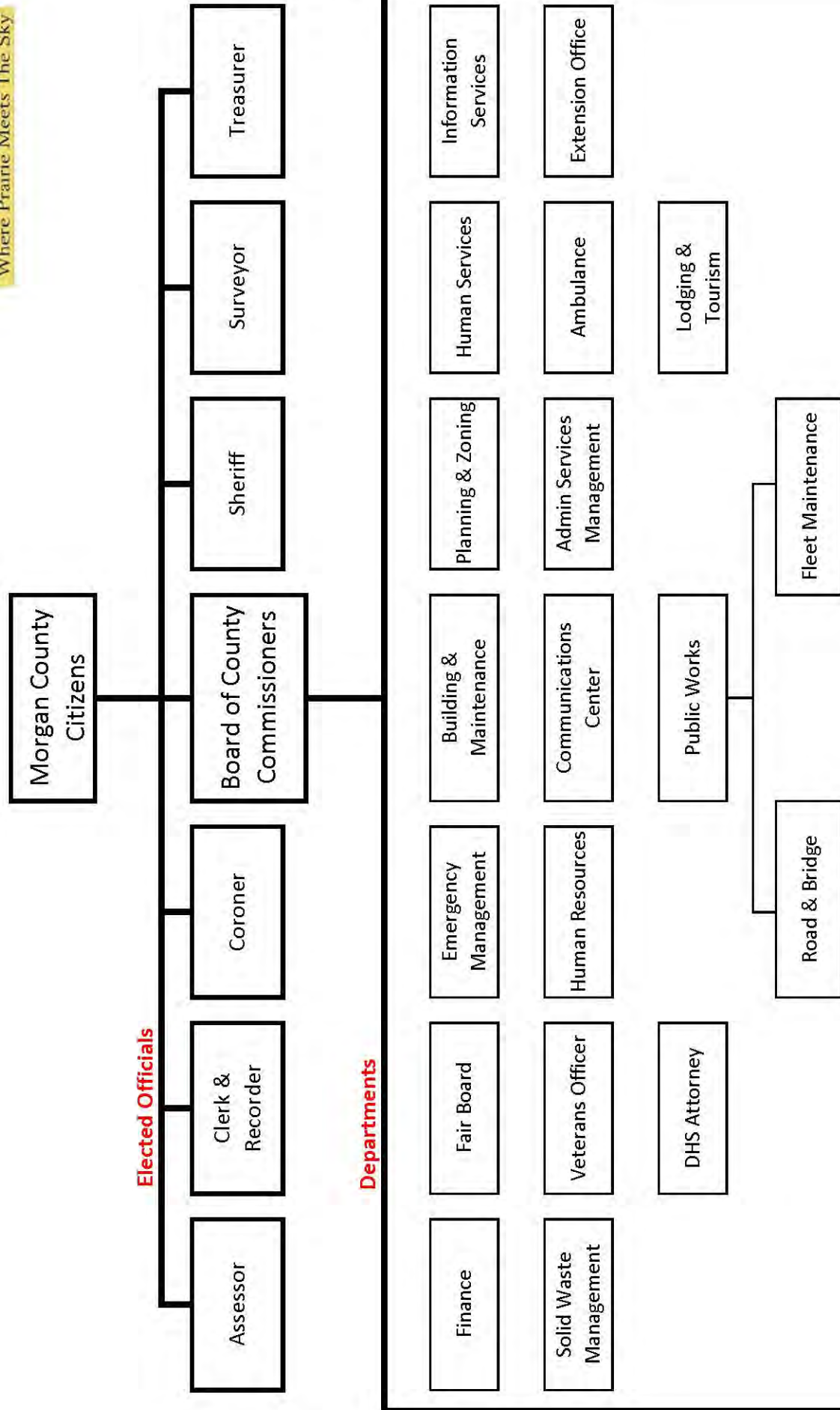
December 31, 2021

Christopher P. Morrill

Executive Director/CEO



Morgan County Organizational Chart



MORGAN COUNTY, COLORADO

List of Principal Officials
As of December 31, 2022

TITLE

NAME

ELECTED

Chairman, Board of County Commissioners	Jon Becker
Commissioner	Mark A. Arndt
Commissioner	Gordon Weshoff
Assessor	Tim M. Amen
Clerk & Recorder	Susan L. Bailey
Coroner	Don Heer
Sheriff	David D. Martin
Surveyor	Nichole F. Hay
Treasurer	Robert A. Sagel

APPOINTED

Accounting & Finance Director	Michelle Covelli
Administrative Services Manager	Karla Powell
Ambulance Manager	Travis Freeman
Attorney	Jeff Parker
Director of Communications	Danette Martin
Director of Human Resources	Tracy Amen
Director of Human Services	Jacque Frenier
Emergency Operations Coordinator	Roger Doll
Information Systems Manager	Karol L. Kopetzky
Interim Clerk & Recorder - July 30, 2022	Kevin Strauch
Interim Finance Director - August 1, 2022	Dustin Corliss
Manager of Bridge Construction	James Rehn
Manager of Building Operations	Dave Cornwell
Manager of Environment	Cass Yearous
Manager of Road Construction	John Goodman
Planning & Zoning Administrator	Nicole F. Hay
Public Works Director	Bruce Bass
Shop Manager	Patrick Canham
Veterans Officer	Ricky Arellano



FINANCIAL SECTION



6025 SOUTH QUEBEC STREET, SUITE 260
CENTENNIAL, COLORADO 80111
303-792-3020 (o) | 303-232-7237 (f)
WWW.WCRCPA.COM

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Morgan County, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Morgan County, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Morgan County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 Morgan County, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Morgan County's basic financial statements. The Local Highway Finance report, Schedule of Federal Financial Assistance reconciliation, combining and individual nonmajor fund financial statements and budgetary comparison schedules and schedule of expenditures of federal awards, as required by Title 2 U.S.

Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Local Highway Finance report, Schedule of Federal Financial Assistance reconciliation, combining and individual nonmajor fund financial statements and budgetary comparison schedules and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2023 on our consideration of Morgan 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Morgan County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Morgan County's internal control over financial reporting and compliance.

Watson Coon Ryan, LLC

CENTENNIAL, COLORADO
August 28, 2023

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, 2022. 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 and deferred inflows of Morgan County exceeded liabilities and deferred inflows of resources by \$156.7 million (net position) at the end of 2022. Of this amount, \$47 million may be used to meet the government's ongoing obligations to citizens and creditors. The remaining \$109 million is invested in capital assets or restricted by law.
- The County's General Fund balance was \$38.4 million as of December 31, 2022. Of this amount, \$1,000,000 is restricted for emergencies, \$5,646,118 is restricted for American Recovery Plan, \$56,711 is restricted for Clerk E-filing, \$2,489 is committed for the Tri Centennial, \$978,931 is committed for the Human Services building, \$11 million is assigned for capital building projects, and \$110,863 is assigned for other agencies. The remaining \$19.6 million is unassigned fund balance. The 2021 fund balance was \$35.7 million.
- The total 2022 General Fund balance is \$38.4 million, which is \$2.7 million more than the 2021 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 82% of the General Fund revenue in 2022.

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 68 – 71 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 76 – 79 in this report. Governmental funds budgets for the non-major funds are provided on pages 80 – 84. The basic governmental fund financial statements can be found on pages 30 – 34 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 35 – 37. The Internal Service Fund schedule of net position is on page 91. Budget to actual comparisons for the Enterprise Funds are on pages 87 – 88. Budget to actual comparison for the Internal Services Fund is on page 92.

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 Custodial Funds. Morgan County maintains four Custodial Funds. The accounting used for fiduciary funds is much like that used for proprietary funds. A Combining Statement of Fiduciary Net Position is on page 94 and a Combining Statement of Changes in Fiduciary Net Position - Custodial Funds is on page 95.

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 40 – 63 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, 2022, assets exceeded liabilities and deferred inflows of resources by \$156.7 million. The largest portion of Morgan County's net position (57%) is invested in capital assets. The net investment in capital assets is \$88.9 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 \$20.3 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, \$9.7 million, is restricted for the Roadways.

The County had an unrestricted net position of \$47.5 million, which may be used to meet the County's ongoing obligations to citizens and creditors.

The three categories of net position are: net investment in capital assets, assets subject to certain restrictions, and unrestricted assets. At the end of 2022, Morgan County had positive balances in all three categories of net position both for governmental activities and business type activities.

Morgan County Government Net Position

	Governmental activities		Business-type activities		Total Government	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 90,277,948	\$ 84,003,212	\$ 8,105,165	\$ 7,757,081	\$ 98,383,113	\$ 91,760,293
Capital assets	85,897,227	93,185,674	3,020,720	2,288,318	88,917,947	95,473,992
Total assets	<u>176,175,175</u>	<u>177,188,886</u>	<u>11,125,885</u>	<u>10,045,399</u>	<u>187,301,060</u>	<u>187,234,285</u>
Liabilities						
Current liabilities	8,157,155	4,487,280	1,046,477	123,825	9,203,632	4,611,105
Long-term liabilities	<u>1,070,467</u>	<u>916,366</u>	<u>895,497</u>	<u>809,193</u>	<u>1,965,964</u>	<u>1,725,559</u>
Total liabilities	<u>9,227,622</u>	<u>5,403,646</u>	<u>1,941,974</u>	<u>933,018</u>	<u>11,169,596</u>	<u>6,336,664</u>
Deferred Property Tax Revenue	<u>19,449,004</u>	<u>19,581,446</u>	-	-	<u>19,449,004</u>	<u>19,581,446</u>
Total liabilities and deferred inflows of resources	<u>28,676,626</u>	<u>24,985,092</u>	<u>1,941,974</u>	<u>933,018</u>	<u>30,618,600</u>	<u>25,918,110</u>
Net position						
Net investment in capital assets	85,897,227	93,185,674	3,020,720	2,288,318	88,917,947	95,473,992
Restricted	20,288,938	17,460,049	-	-	20,288,938	17,460,049
Unrestricted	<u>41,312,384</u>	<u>41,558,071</u>	<u>6,163,191</u>	<u>6,824,063</u>	<u>47,475,575</u>	<u>48,382,134</u>
Total net position	<u>\$ 147,498,549</u>	<u>\$ 152,203,794</u>	<u>\$ 9,183,911</u>	<u>\$ 9,112,381</u>	<u>\$ 156,682,460</u>	<u>\$ 161,316,175</u>

The total net position decreased in 2022 by \$4.6 million. The decrease is due to the depreciation in the capital assets.

The total restricted net position increased by \$2.8 million. The largest increase in restricted funds was the receipt of American Recovery Funds from the federal government.

Net investment in capital assets decreased \$6.3 million in 2022. The majority of the decline was from depreciation calculated on capital assets.

Governmental activities. Governmental activities decreased Morgan County's net position by \$4.7 million. The decrease in net position in the governmental funds is due to the depreciation expense in the Road and Bridge Fund.

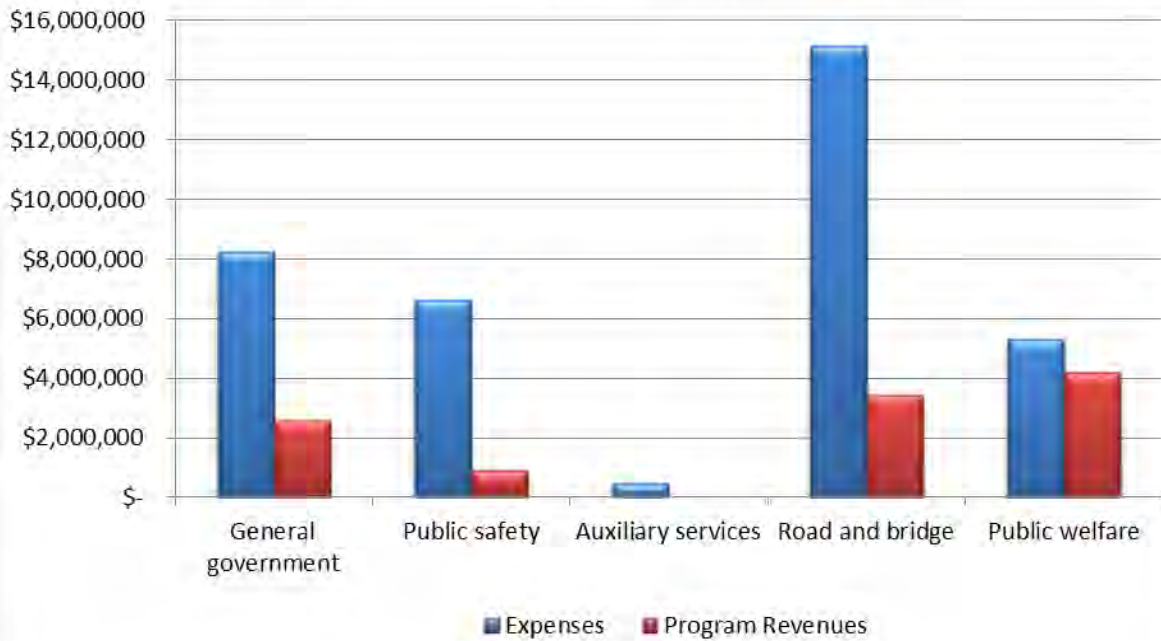
Business type activities. Business type activities increased Morgan County's net position by \$71,530. The net investment in capital increased \$732,402. The increase in capital assets was due to the start of construction on phase two of the new cell in the Solid Waste Management Fund.

The following shows the elements of the County's decrease in net position:

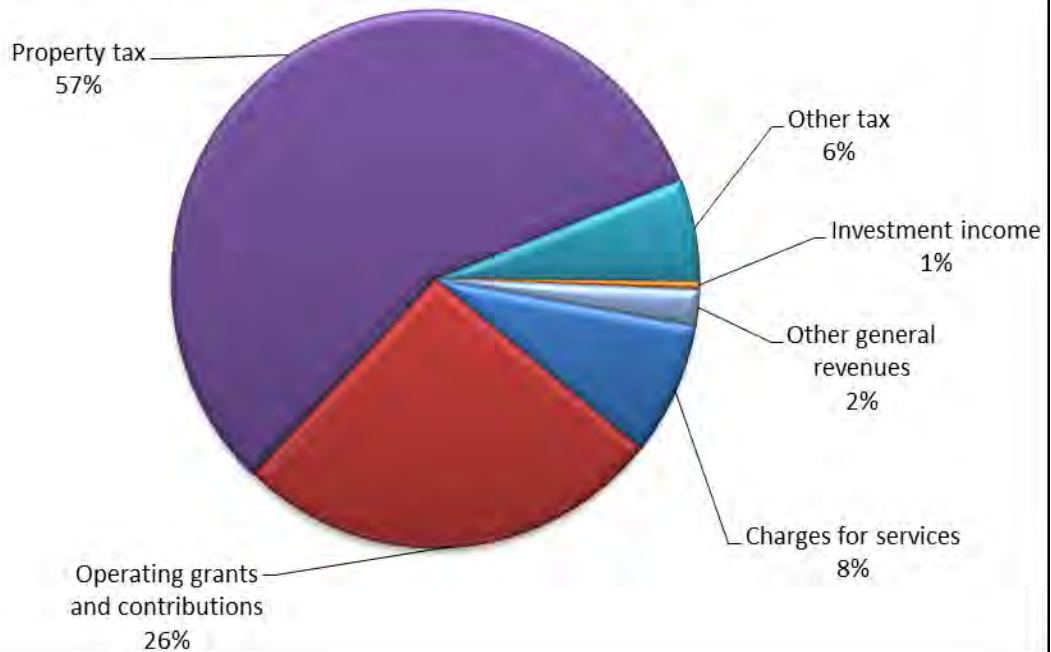
Morgan County Government Changes in Net Position

	Governmental activities		Business-type activities		Total Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	\$ 2,319,952	\$ 2,607,040	\$ 2,650,662	\$ 2,743,966	\$ 4,970,614	\$ 5,351,006
Operating grants and contributions	8,937,915	8,523,470	112,219	3,462	9,050,134	8,526,932
Capital grants and contributions	-	-	18,361	61,835	18,361	61,835
General revenues						
Property tax	19,854,404	18,481,069	-	-	19,854,404	18,481,069
Other tax	1,990,778	1,986,451	-	-	1,990,778	1,986,451
Investment Income	443,769	158,831	83,105	13,693	526,874	172,524
Other general revenues	548,070	696,261	21,006	38,981	569,076	735,242
Total revenues	<u>34,094,888</u>	<u>32,453,122</u>	<u>2,885,353</u>	<u>2,861,937</u>	<u>36,980,241</u>	<u>35,315,059</u>
Expenses						
General government	8,675,798	8,258,422	-	-	8,675,798	8,258,422
Public safety	7,797,655	6,631,128	-	-	7,797,655	6,631,128
Auxiliary services	536,989	470,294	-	-	536,989	470,294
Roads and bridges	16,256,356	15,179,406	-	-	16,256,356	15,179,406
Public welfare	5,533,334	5,288,182	-	-	5,533,334	5,288,182
Capital Outlay	-	-	-	-	-	-
Ambulance services	-	-	1,836,227	1,603,042	1,836,227	1,603,042
Solid waste services	-	-	977,596	541,134	977,596	541,134
Total expenses	<u>38,800,132</u>	<u>35,827,432</u>	<u>2,813,823</u>	<u>2,144,176</u>	<u>41,613,955</u>	<u>37,971,608</u>
Increase (decrease) in net position	(4,705,244)	(3,374,310)	71,530	717,761	(4,633,714)	(2,656,549)
Net position - January 1	<u>152,203,794</u>	<u>155,578,104</u>	<u>9,112,381</u>	<u>8,394,620</u>	<u>161,316,175</u>	<u>163,972,724</u>
Net position - December 31	<u>\$ 147,498,550</u>	<u>\$ 152,203,794</u>	<u>\$ 9,183,911</u>	<u>\$ 9,112,381</u>	<u>\$ 156,682,461</u>	<u>\$ 161,316,175</u>

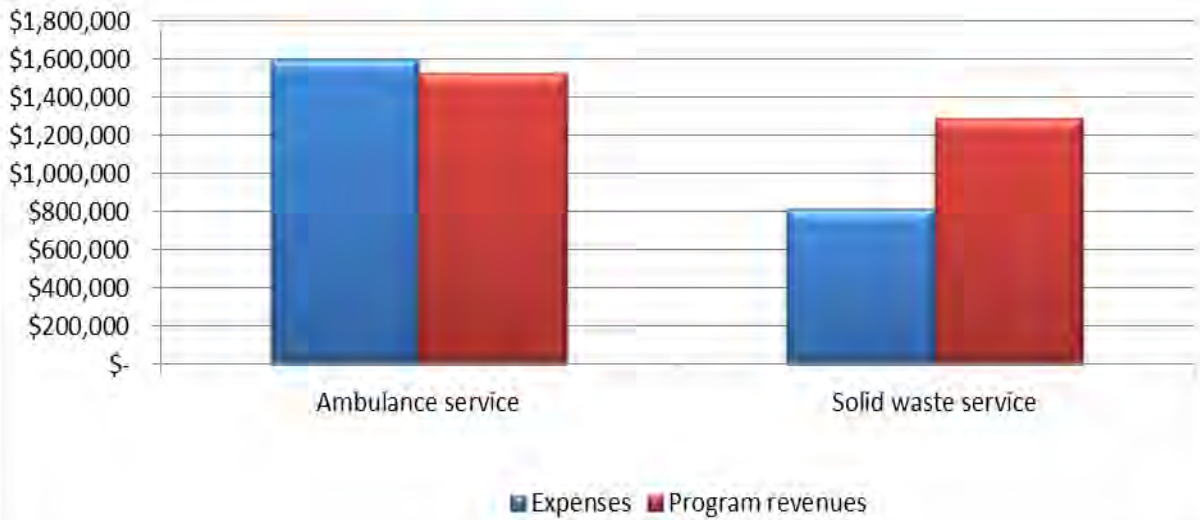
Expenses and Program Revenues - Governmental Activities



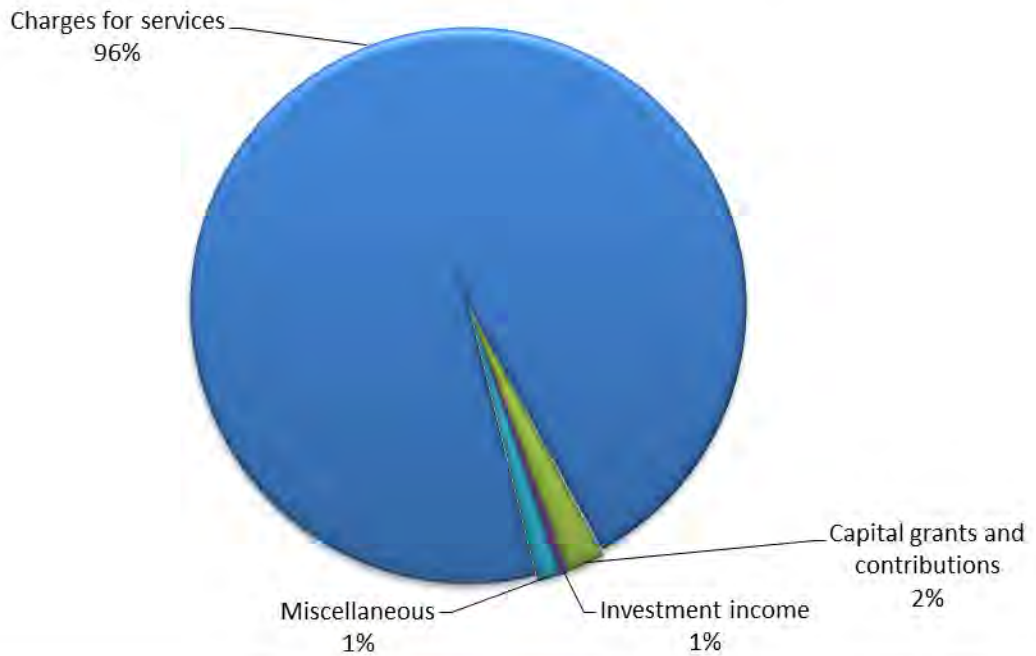
Revenues by Source - Governmental Activities



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 2022. The total fund balances in the governmental funds increased by \$3.4 million. As of the end of 2022 the combined ending fund balance of County governmental funds was \$59.6 million. Approximately 33% 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 \$1,000,000, 2) a state mandated clerk technology fund \$56,711, 3) a state statute for Social Services \$1,782,870, 4) a state statute for roadways \$9,657,671, 5) a state statute for the 911 emergency telephone services \$1,007,990, 6) a state statute to promote tourism in the County \$675,339, 7) a state statute to promote parks and recreation \$467,728, 8) a state statute regulating law enforcement confiscation and seizure \$7,563, and 9) a mandate for American Recovery Plan funds of \$5,646,118.

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 2022 amounted to \$4,929,478. This is an decrease of \$422,271 from unrestricted net position at the end of 2021. The decrease was due mainly to the decrease in investment in capital assets at the end of 2022.
- ❖ **Ambulance Service Fund.** Unrestricted net position of this fund at the end of 2022 amounted to \$1,233,713. This is a decrease of \$238,601 from unrestricted net position at the end of 2021. The decrease was due to increasing salary and overtime expenses. Expenses increased 15% in 2022.

The proprietary funds change in net position is down primarily due to the fact the Solid Waste Fund had an unusual credit to the expense for closure/post-closure care costs. During 2021, a recalculation of the landfill capacity was done resulting in a decrease to the necessary liability the County must maintain.

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 \$2.9 million. This is a

decrease of \$599,838. Operating expenses increased in 2022 by \$.5 million due to rising fuel costs in the County's fleet department

Governmental Funds Overview

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, 2022, was \$38.4 million. This is an increase of \$2.7 million. Of this amount, \$18.8 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 128% of total 2022 expenditures and transfers in the general fund. The increase in fund balance is due mainly to an increase in property tax collected. The County's assessed value increased 5% which increased the property taxes collected.
- ❖ **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 \$15.8 million in fund balance at the end of 2022. Of this amount, \$9.7 million is restricted for future capital highway projects, \$115,523 is nonspendable for bridge inventory, and \$6 million is committed for future capital road and bridge projects. Total Road and Bridge fund balance increased by \$82,513 million in 2022. The slight increase in fund balance was due to the increase in property tax collected.
- ❖ **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 2022 was \$1.8 million. This is an increase of \$305,674 from the 2021 fund balance. The increase was due to increased property taxes. The \$1.8 million 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 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, 2022 totals \$88.9 million (net of accumulated depreciation). This investment includes all land, buildings, machinery and equipment, as well as infrastructure constructed from 1980 through 2022.

**Morgan County Government
Capital Assets
(net of depreciation)**

	Governmental activities		Business-type activities		Total Government	
	2022	2021	2022	2021	2022	2021
Land and Water Rights	\$ 2,118,484	\$ 2,118,484	\$ 125,787	\$ 125,787	\$ 2,244,271	\$ 2,244,271
Building and Improvements	5,387,305	5,783,375	930,030	969,530	6,317,335	6,752,905
Machinery and Equipment	8,338,051	8,423,683	482,173	568,288	8,820,224	8,991,971
Infrastructure Construction in Progress	69,494,980	76,760,443	1,218,761	624,713	70,713,741	77,385,156
	<u>558,407</u>	<u>99,691</u>	<u>263,969</u>	<u>-</u>	<u>822,376</u>	<u>99,691</u>
Total capital assets	<u>\$ 85,897,227</u>	<u>\$ 93,185,676</u>	<u>\$ 3,020,720</u>	<u>\$ 2,288,318</u>	<u>\$ 88,917,947</u>	<u>\$ 95,473,994</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, 2022.

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 2023 budget:

- The County assessed value in 2022 decreased slightly. This amounts to a decrease in property tax to be collected in 2023 of \$159,472. The County is anticipating an increase in assessed value as a reappraisal year will be reflected in 2024 property tax collection. Morgan County's assessed value is critical to revenues as there is no County sales tax levied.
- The County has historically, and continues to be, fiscally responsible. The 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.

