

BASIC FINANCIAL STATEMENTS



Morgan County, Colorado
Statement of Net Position
December 31, 2016
(With comparative totals for December 31, 2015)

	Governmental	Business-type	Total	
	Activities	Activities	2016	2015
ASSETS				
Cash (Note 3)	\$ 1,635	\$ 600	\$ 2,235	\$ 2,235
Cash held by county departments (Note 3)	147,111	-	147,111	137,394
Cash and investments held by County Treasurer (Note 3)	39,376,413	5,434,058	44,810,471	42,299,643
Client trust accounts (Note 3)	159,816	-	159,816	70,470
Receivables (net of allowances for uncollectibles) (Note 4):				
General property tax - net	15,086,892	-	15,086,892	15,104,969
Accounts	87,937	267,034	354,971	376,128
Intergovernmental	879,452	-	879,452	1,107,430
Internal balances (Note 8)	29,077	(29,077)	-	-
Inventory	274,507	-	274,507	225,651
Capital assets not being depreciated (Note 5)	1,640,937	68,510	1,709,447	1,344,894
Capital assets (net of accumulated depreciation) (Note 5)	129,448,803	1,270,874	130,719,677	136,893,872
Total assets	187,132,580	7,011,999	194,144,579	197,562,686
LIABILITIES				
Warrants payable	380,445	25,787	406,232	1,918,979
Vouchers payable	795,509	26,962	822,471	547,787
Accounts payable	44,350	7	44,357	53,538
Accrued wages	-	18,869	18,869	16,207
Client trust accounts (Note 3)	159,816	-	159,816	70,470
Intergovernmental payables	36,772	-	36,772	34,299
Unearned other revenue	209,049	8,680	217,729	221,845
Funds held for others	31,536	-	31,536	20,006
Noncurrent liabilities:				
Due within one year (Note 7)	522,346	36,550	558,896	129,903
Due more than one year (Note 7)	418,723	935,677	1,354,400	1,826,200
Total liabilities	2,598,546	1,052,532	3,651,078	4,839,234
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	15,086,892	-	15,086,892	15,104,969
NET POSITION:				
Net investment in capital assets	131,089,740	1,339,384	132,429,124	138,238,766
Restricted for:				
Clerk E-filing fees	86,428	-	86,428	80,922
Emergencies	750,000	-	750,000	750,000
Roadways	5,816,891	-	5,816,891	6,160,339
Social services	936,297	-	936,297	884,661
911 emergency	1,033,856	-	1,033,856	980,529
Tourism	503,435	-	503,435	540,392
Parks and recreation	517,378	-	517,378	509,032
Law enforcement	3,276	-	3,276	5,573
Unrestricted	28,709,841	4,620,083	33,329,924	29,468,269
Total net position	\$ 169,447,142	\$ 5,959,467	\$ 175,406,609	\$ 177,618,483

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

Morgan County, Colorado
Statement of Activities
For Fiscal Year Ended December 31, 2016
(With comparative totals for fiscal year ended December 31, 2015)

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 5,520,906	\$ 594,119	\$ 379,126	\$ -
Judicial and public safety	5,078,786	528,016	119,856	-
Auxiliary services	440,388	-	-	-
Roads and bridges	13,072,223	25,361	3,161,781	-
Public welfare	4,713,540	-	3,667,247	-
Total governmental activities	<u>28,825,843</u>	<u>1,147,496</u>	<u>7,328,010</u>	<u>-</u>
Business-type activities:				
Ambulance services	1,070,858	1,205,051	3,505	-
Solid waste services	763,632	1,030,125	-	-
Total business-type activities	<u>1,834,490</u>	<u>2,235,176</u>	<u>3,505</u>	<u>-</u>
Total primary government	<u>\$ 30,660,333</u>	<u>\$ 3,382,672</u>	<u>\$ 7,331,515</u>	<u>\$ -</u>

General revenues:

Taxes:

Property

Specific ownership

Lodging

Other

Investment income

Miscellaneous

Gain (loss) on sale of assets

Total general revenues

Changes in net position

Net position, January 1

Net position, December 31

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

**Net (Expenses) Revenues and
Changes in Net Position**

Primary Government

Governmental Activities	Business-type Activities	Total	
		2016	2015
\$ (4,547,661)	\$ -	\$ (4,547,661)	\$ (4,565,121)
(4,430,914)	-	(4,430,914)	(4,624,109)
(440,388)	-	(440,388)	(464,619)
(9,885,081)	-	(9,885,081)	(9,138,236)
(1,046,293)	-	(1,046,293)	(967,251)
<u>(20,350,337)</u>	<u>-</u>	<u>(20,350,337)</u>	<u>(19,759,336)</u>
-	137,698	137,698	60,828
-	266,493	266,493	153,273
<u>-</u>	<u>404,191</u>	<u>404,191</u>	<u>214,101</u>
<u>\$ (20,350,337)</u>	<u>\$ 404,191</u>	<u>\$ (19,946,146)</u>	<u>\$ (19,545,235)</u>
15,047,692	-	15,047,692	13,579,680
1,506,682	-	1,506,682	1,538,445
186,372	-	186,372	221,834
80,078	-	80,078	71,241
244,482	30,169	274,651	209,398
373,685	2,984	376,669	366,287
262,155	(27)	262,128	240,771
<u>17,701,146</u>	<u>33,126</u>	<u>17,734,272</u>	<u>16,227,656</u>
(2,649,191)	437,317	(2,211,874)	(3,317,579)
172,096,333	5,522,150	177,618,483	180,936,062
<u>\$ 169,447,142</u>	<u>\$ 5,959,467</u>	<u>\$ 175,406,609</u>	<u>\$ 177,618,483</u>

Morgan County, Colorado
Balance Sheet
Governmental Funds
December 31, 2016
(With comparative totals for December 31, 2015)

	General	Road and Bridge	Social Services	Other Governmental Funds
ASSETS:				
Cash	\$ 800	\$ -	\$ 400	\$ 85
Cash held by county departments	143,470	-	-	3,641
Cash and investments held by County Treasurer	22,892,958	9,095,904	988,362	3,189,417
Client trust accounts	-	-	159,816	-
Receivables (net of allowances for uncollectibles):				
General property tax - net	10,135,757	3,908,791	1,042,344	-
Accounts Intergovernmental	29,894	45	-	42,170
Due from other funds	145,198	350,666	382,285	1,303
Inventories	28,927	-	-	-
	-	93,361	-	-
Total assets	\$ 33,377,004	\$ 13,448,767	\$ 2,573,207	\$ 3,236,616
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Warrants payable	\$ 149,747	\$ 40,055	\$ 78,279	\$ 48,952
Vouchers payable	307,084	191,337	70,367	21,987
Accounts payable	17,568	195	26,587	-
Client trust accounts	-	-	159,816	-
Intergovernmental payables	-	-	36,772	-
Due to other funds	-	-	-	28,927
Interfund payables	92,877	126,173	19,374	430
Unearned other revenue	5,678	-	203,371	-
Funds held for others	31,086	-	-	450
Total liabilities	604,040	357,760	594,566	100,746
DEFERRED INFLOWS OF RESOURCES:				
Deferred property tax revenue	10,135,757	3,908,791	1,042,344	-
FUND BALANCES:				
Fund balance:				
Nonspendable:				
Inventory	-	93,361	-	-
Restricted for:				
Clerk E-filing fees	86,428	-	-	-
Emergencies	750,000	-	-	-
Roadways	-	5,816,891	-	-
Social services	-	-	936,297	-
911 emergency	-	-	-	1,033,856
Tourism	-	-	-	503,435
Parks and recreation	-	-	-	517,378
Law enforcement	-	-	-	3,276
Committed to:				
Tri Centennial	2,308	-	-	-
Capital improvements	374,085	-	-	-
Bridge structures	-	2,253,425	-	-
Road projects	-	1,018,539	-	-
Jail expansion	-	-	-	1,077,925
Assigned to:				
Other capital projects	10,000,000	-	-	-
Other agencies	143,470	-	-	-
Unassigned:	11,280,916	-	-	-
Total fund balances	22,637,207	9,182,216	936,297	3,135,870
Total liabilities and fund balances	\$ 33,377,004	\$ 13,448,767	\$ 2,573,207	\$ 3,236,616

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

Total Governmental Funds

2016	2015
\$ 1,285	\$ 1,285
147,111	137,394
36,166,641	33,652,940
159,816	70,470
15,086,892	15,104,969
72,109	107,461
879,452	1,107,430
28,927	-
93,361	78,817
<u>\$ 52,635,594</u>	<u>\$ 50,260,766</u>

\$ 317,033	\$ 1,714,336
590,775	395,711
44,350	20,739
159,816	70,470
36,772	34,299
28,927	823
238,854	217,530
209,049	216,460
31,536	20,006
<u>1,657,112</u>	<u>2,690,374</u>

<u>15,086,892</u>	<u>15,104,969</u>
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93,361	78,817
86,428	80,922
750,000	750,000
5,816,891	6,160,339
936,297	884,661
1,033,856	980,529
503,435	540,392
517,378	509,032
3,276	5,573
2,308	-
374,085	278,660
2,253,425	2,032,674
1,018,539	809,196
1,077,925	919,223
10,000,000	8,000,000
143,470	131,456
11,280,916	10,303,949
<u>35,891,590</u>	<u>32,465,423</u>
<u>\$ 52,635,594</u>	<u>\$ 50,260,766</u>



**Morgan County, Colorado
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
December 31, 2016**

Total governmental fund balances (page 31) **\$ 35,891,590**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 126,368,278

Long-term liabilities, including capital leases payable, compensated absences, and interest payable, are not due and payable in the current period and therefore are not reported in the funds. (755,099)

Compensated absences

The internal services fund is used by management to charge the costs of services for the County attorney, fleet maintenance, and other services to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position. 7,942,373

Net position of governmental activities (page 27) **\$169,447,142**

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

Morgan County, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended December 31, 2016
(With comparative totals for the fiscal year ended December 31, 2015)

	General	Road and Bridge	Social Services	Other Governmental Funds
REVENUES				
Taxes	\$ 11,735,439	\$ 3,826,203	\$ 1,072,810	\$ 186,372
Intergovernmental	392,727	3,161,781	3,667,247	106,255
Licenses and permits	96,926	-	-	-
Fines and forfeitures	4,091	-	-	-
Fee accounts	1,349,546	-	-	39,405
Charges for materials/service	-	41,030	-	270,413
Investment income	209,501	30,093	-	4,888
Miscellaneous	326,684	1,354	29,476	25
Total revenues	14,114,914	7,060,461	4,769,533	607,358
EXPENDITURES				
Current:				
General government	4,183,624	-	-	275,966
Judicial and public safety	4,875,649	-	-	112,953
Auxiliary services	441,072	-	-	-
Road and bridge	-	4,166,484	-	-
Public welfare	-	-	4,708,377	-
Intergovernmental cooperation outlay	1,119,295	-	-	-
Capital outlay	297,394	2,792,787	9,520	157,318
Total expenditures	10,917,034	6,959,271	4,717,897	546,237
Excess (deficiency) of revenues over (under) expenditures	3,197,880	101,190	51,636	61,121
Other financing sources (uses):				
Transfers in	-	-	-	120,000
Transfers out	(120,000)	-	-	-
Proceeds from sale of capital assets	14,340	-	-	-
Total other financing sources (uses)	(105,660)	-	-	120,000
Net change in fund balances	3,092,220	101,190	51,636	181,121
Fund Balances, January 1	19,544,987	9,081,026	884,661	2,954,749
Fund Balances, December 31	\$ 22,637,207	\$ 9,182,216	\$ 936,297	\$ 3,135,870

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

Total Governmental Funds

<u>2016</u>	<u>2015</u>
\$ 16,820,824	\$ 15,411,200
7,328,010	7,566,786
96,926	84,958
4,091	4,641
1,388,951	1,293,167
311,443	326,123
244,482	190,551
357,539	360,283
<u>26,552,266</u>	<u>25,237,709</u>
4,459,590	4,261,742
4,988,602	5,103,613
441,072	465,300
4,166,484	3,944,569
4,708,377	4,462,082
1,119,295	1,120,295
3,257,019	4,750,739
<u>23,140,439</u>	<u>24,108,340</u>
<u>3,411,827</u>	<u>1,129,369</u>
120,000	120,000
(120,000)	(120,000)
14,340	20
<u>14,340</u>	<u>20</u>
3,426,167	1,129,389
32,465,423	31,336,034
<u>\$ 35,891,590</u>	<u>\$ 32,465,423</u>

Morgan County, Colorado
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balance to the Statement of Activities
For the Year Ended December 31, 2016

Net change in fund balances – total governmental funds (page 35) **\$ 3,426,167**

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

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

Capital asset additions	\$ 3,257,019	
Depreciation expense	<u>(9,605,800)</u>	
Excess of depreciation over capital outlay		(6,348,781)

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

Compensated absences	64,495
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Internal service funds are used by management to charge the costs of certain activities such as fleet services, attorney services, accounting services, and information system services to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

<u>208,928</u>

Change in net position of governmental funds (page 29) **\$ (2,649,191)**

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

Morgan County, Colorado

Statement of Net Position

Proprietary Funds

December 31, 2016

(With comparative totals for Business-type Activities at December 31, 2015)

	Business-type Activities - Enterprise Funds				Governmental
	Ambulance Service	Solid Waste Management	Total		Activities - Internal Service Fund
			2016	2015	
ASSETS					
Current assets:					
Cash	\$ -	\$ 600	\$ 600	\$ 600	\$ 350
Cash and investments held by County Treasurer	1,168,037	4,266,021	5,434,058	5,076,139	3,209,772
Receivables (net of allowance uncollectibles):					
Accounts	199,615	65,302	264,917	241,281	15,828
Other	1,824	293	2,117	13,763	-
Due from other funds	-	-	-	823	-
Interfund receivables	-	51	51	51	267,931
Inventory	-	-	-	-	181,146
Total current assets	1,369,476	4,332,267	5,701,743	5,332,657	3,675,027
Noncurrent assets:					
Capital assets (net of accumulated depreciation):					
Land and water rights	45,000	23,510	68,510	23,510	-
Construction in progress	-	-	-	-	105,522
Buildings	176,703	562,730	739,433	775,628	6,712
General equipment	67,877	463,564	531,441	554,759	4,581,750
Infrastructure	-	-	-	-	27,478
Total noncurrent assets	289,580	1,049,804	1,339,384	1,353,897	4,721,462
Total assets	1,659,056	5,382,071	7,041,127	6,686,554	8,396,489
LIABILITIES					
Current liabilities:					
Warrants payable	19,603	6,184	25,787	113,169	63,412
Vouchers payable	7,994	18,968	26,962	27,935	204,734
Accounts payable	-	7	7	7,388	-
Accrued wages	18,869	-	18,869	16,207	-
Compensated absences	23,454	13,096	36,550	57,617	77,354
Interfund payables	11,188	17,940	29,128	23,378	-
Unearned revenue	8,680	-	8,680	5,385	-
Total current liabilities	89,788	56,195	145,983	251,079	345,500
Noncurrent liabilities:					
Compensated absences	18,929	9,010	27,939	38,790	108,616
Accrued landfill closure and post-closure care costs	-	907,738	907,738	874,535	-
Total noncurrent liabilities	18,929	916,748	935,677	913,325	108,616
Total liabilities	108,717	972,943	1,081,660	1,164,404	454,116
NET POSITION					
Net investment in capital assets	289,580	1,049,804	1,339,384	1,353,897	4,721,462
Unrestricted	1,260,759	3,359,324	4,620,083	4,168,253	3,220,911
Total net position	\$ 1,550,339	\$ 4,409,128	\$ 5,959,467	\$ 5,522,150	\$ 7,942,373

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

Morgan County, Colorado
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended December 31, 2016
(With comparative totals Business-type Activities for the year ended December 31, 2015)

	Business-type Activities - Enterprise Funds				Governmental
	Ambulance Service	Solid Waste Management	Total		Activities - Internal Service Fund
			2016	2015	
Operating revenues					
Charges for services	\$ 1,185,666	\$ 1,030,125	\$ 2,215,791	\$ 2,017,347	\$ 3,227,605
Miscellaneous revenues	21,484	885	22,369	25,046	477
Total operating revenues	<u>1,207,150</u>	<u>1,031,010</u>	<u>2,238,160</u>	<u>2,042,393</u>	<u>3,228,082</u>
Operating expenses					
Compensation and benefits	711,981	341,150	1,053,131	1,054,869	1,188,760
Operating supplies	41,976	21,293	63,269	150,841	965,417
Purchased services	134,169	152,923	287,092	231,330	308,499
Fixed charges	125,763	132,989	258,752	244,863	58,318
Depreciation	33,242	71,380	104,622	106,102	739,427
Other expenses	23,727	43,897	67,624	45,740	6,548
Total operating expenses	<u>1,070,858</u>	<u>763,632</u>	<u>1,834,490</u>	<u>1,833,745</u>	<u>3,266,969</u>
Operating income (loss)	<u>136,292</u>	<u>267,378</u>	<u>403,670</u>	<u>208,648</u>	<u>(38,887)</u>
Nonoperating revenues					
State grant	3,500	-	3,500	10,429	-
Other grants and donations	5	-	5	420	-
Investment income	1,861	28,308	30,169	18,847	-
Gain (loss) on disposal of assets	-	(27)	(27)	-	247,815
Total nonoperating revenues	<u>5,366</u>	<u>28,281</u>	<u>33,647</u>	<u>29,696</u>	<u>247,815</u>
Change in net position	141,658	295,659	437,317	238,344	208,928
Total net position, January 1	1,408,681	4,113,469	5,522,150	5,283,806	7,733,445
Total net position, December 31	<u>\$ 1,550,339</u>	<u>\$ 4,409,128</u>	<u>\$ 5,959,467</u>	<u>\$ 5,522,150</u>	<u>\$ 7,942,373</u>

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

Morgan County, Colorado
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016
(With comparative totals Business-type Activities for the year ended December 31, 2015)

	Business-type Activities - Enterprise Funds				Governmental Activities -
	Ambulance Service Fund	Solid Waste Management	2016	2015	Internal Services Fund
Cash flows from operating activities					
Receipts from customers and users	\$ 1,199,719	\$ 1,027,275	\$ 2,226,994	\$ 2,026,891	\$ 73,051
Receipts from interfund services			-	-	3,091,440
Payments to suppliers	(244,871)	(212,816)	(457,687)	(300,584)	(1,284,914)
Payments for interfund services	(144,447)	(127,891)	(272,337)	(257,215)	(27,412)
Payments to employees	(725,214)	(357,376)	(1,082,590)	(1,063,223)	(1,167,698)
Net cash provided by operating activities	<u>85,188</u>	<u>329,193</u>	<u>414,381</u>	<u>405,869</u>	<u>684,467</u>
Cash flows from noncapital financing activities					
Grants received	3,500	-	3,500	10,429	-
Donations received	5	-	5	420	-
Net cash provided by noncapital financing activities	<u>3,505</u>	<u>-</u>	<u>3,505</u>	<u>10,849</u>	<u>-</u>
Cash flows from capital and related financing activities					
Acquisition of capital assets	(45,000)	(45,135)	(90,135)	(48,327)	(1,099,150)
Proceeds from sale of capital assets			-	-	53,891
Net cash used by capital and related financing activities	<u>(45,000)</u>	<u>(45,135)</u>	<u>(90,135)</u>	<u>(48,327)</u>	<u>(1,045,259)</u>
Cash flows from investing activities					
Interest received	1,861	28,307	30,168	18,847	-
Net cash provided by investing activities	<u>1,861</u>	<u>28,307</u>	<u>30,168</u>	<u>18,847</u>	<u>-</u>
Net Increase (decrease) in cash and cash equivalents	45,554	312,365	357,920	387,238	(360,792)
Cash and cash equivalents - January 1	1,122,483	3,954,256	5,076,739	4,689,516	3,570,914
Cash and cash equivalents - December 31 (Including \$600 and \$350 for the Solid Waste Management Fund and Central Services Fund, respectively, reported in cash on hand)	<u>\$ 1,168,037</u>	<u>\$ 4,266,621</u>	<u>\$ 5,434,659</u>	<u>\$ 5,076,754</u>	<u>\$ 3,210,122</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 136,292	\$ 267,378	403,670	208,648	\$ (38,887)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	33,242	71,380	104,622	106,102	739,427
(Increase) decrease in accounts receivable	(7,432)	(4,558)	(11,990)	(15,502)	(2,205)
(Increase) decrease in intergovernmental receivables	-	824	824	-	(27,074)
(Increase) decrease in inventory	-	-	-	-	(34,312)
Increase (decrease) in accounts payable	(65,324)	(30,412)	(95,736)	86,439	27,117
Increase (decrease) in intergovernmental payable	(1,650)	7,400	5,750	2,044	-
Increase (decrease) in accrued wages	2,662		2,662	(7,468)	
Increase (decrease) in accrued compensated absences	(15,896)	(16,022)	(31,918)	(884)	20,401
Increase (decrease) in unearned revenue	3,294		3,294	(1,450)	
Increase in accrued landfill closure and postclosure	-	33,203	33,203	27,940	-
Total adjustments	<u>(51,104)</u>	<u>61,815</u>	<u>10,711</u>	<u>197,221</u>	<u>723,354</u>
Net cash provided by operating activities	<u>\$ 85,188</u>	<u>\$ 329,193</u>	<u>\$ 414,381</u>	<u>\$ 405,869</u>	<u>\$ 684,467</u>

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

Morgan County, Colorado
Statement of Net Position
Fiduciary Funds
December 31, 2016

	<u>Total</u>
	<u>Agency Funds</u>
ASSETS	
Cash	\$ 112,601
Cash held by County Treasurer - Public Trustee and Clerk	747,463
Cash held by County Treasurer - held for other governments	876,317
Receivable	13,956
Total assets	<u>\$ 1,750,337</u>
 LIABILITIES	
Warrants payable	\$ 797,653
Cash held for designated purpose	13,890
Cash held for others	938,794
Total liabilities	<u>\$ 1,750,337</u>

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

MORGAN COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

These financial statements include the following blended component unit:

Morgan County Building Authority

The Morgan County Building Authority functions for one single purpose. It was created in 1984 to act as a conduit to finance major capital building projects and to convey these facilities through a lease-purchase agreement with the County. It has an uncompensated four member board. Board members are appointed by the Board of County Commissioners. The Morgan County Building Authority does not issue separate financial statements. There is no activity for the Morgan County Building Authority in 2016.

B. Basis of Presentation

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

C. Government-Wide Financial Statements

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

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Financial Statements

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

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

The County reports the following major governmental funds:

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

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

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

The County reports the following major enterprise funds:

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The County reports the following fund types:

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

The *Agency Funds* account for assets held by the County as an agent for individuals, private organizations, and other governments. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County agency funds include the following:

Treasurer Fund accounts for the receipt and disbursement of County revenues

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

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

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

E. Measurement Focus

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes levied in December 2016, are recorded in governmental funds as taxes receivable and a deferred inflow of resources. Since property taxes are levied in December for the next calendar year's operations, the total levy is reported as taxes receivable and a deferred inflow of resources in the government-wide financial statements.

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

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

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

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

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

Those revenues susceptible to accrual are grants from other governments, interfund transfers, licenses, interest revenue, and charges for services. Cigarette and property tax collected and held by the state at the end of the year

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

on behalf of the County are recognized as revenue. Revenues collected by and held by one governmental agency for another within the reporting entity are considered susceptible to accrual. Fines, forfeitures, permits, and licenses are not susceptible to accrual because generally they are not measurable until they are received in cash.

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

F. Budgets

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

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

G. Cash and Investments

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

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

H. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "interfund receivables/payables". Short-term interfund loans are classified as "due from other funds" or "due to other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Inventories

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

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items for enterprise and internal service funds.

K. Capital Assets

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

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

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

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

L. Deferred outflows/inflows of resources

In addition to assets, statement of net position and fund balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The County does not have any deferred outflows.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

M. Compensated Absences

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

A liability for grandfathered sick leave benefits is accrued only if it is probable that the employee will be compensated for the benefits through cash payments upon termination or retirement. Under modified accrual accounting, expenditures and liabilities related to compensated absences will be recognized in governmental funds only when they mature (when due). The sick leave liability is estimated based on the County's past experience in making termination payments for sick leave and its termination payment policy (termination payment method).

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

N. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service or project expenditures.

O. Fund Balance

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

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the County itself, using its highest level of decision making authority which is the Board of County Commissioners, by resolution. Committed funds cannot be used for other purposes unless the Board of County Commissioners approve a resolution to remove or change the constraint. The Board establishes, modifies, or rescinds fund balance commitments by passage of a resolution.
- Assigned fund balance – amounts the County intends to use for a specific purpose. Intent can be expressed by the Board of County Commissioners or by an official to which the Board delegates authority. The Board has given authority to the County Finance Director.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are only reported in the general fund.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Board establishes assigned fund balance by a written directive to the Finance Director. In 2016, the assigned fund balance in the general fund consists of \$10,000,000 assigned to capital projects and \$143,470 assigned to other agencies. The assigned to other agencies in general fund includes: 1) \$35,786 held by the Morgan County Director of Cooperative Extension, 2) \$54,259 held by the Morgan County Fair Board, 3) \$50,275 held by the Morgan County Sheriff and 4) \$3,150 held by the Morgan County Clerk.

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

P. Net Position

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

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Q. Interfund Transactions

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Reclassifications and Comparative Data

Certain accounts in the prior year have been reclassified to conform to the current year presentation.

Comparative total data for the prior year have been presented in the accompanying basic financial statements and the individual fund financial statements in order to provide an understanding of changes in the government's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

S. Use of Estimates

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

Note 2: LEGAL COMPLIANCE - BUDGETS AND PROPERTY TAXES

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

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

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

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

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

Note 3: DEPOSITS AND INVESTMENTS

Cash and Investments

At December 31, 2016, the County's deposits and investments were as follows:

Cash and Investments	
Cash	\$ 2,235
Cash held by County departments	147,111
Client trust accounts	159,816
Cash held by County Treasurer	46,434,252
Agency Funds	112,601
Total cash and investments	<u>\$ 46,856,015</u>

	Cash and Investments	Cash held by Treasurer	Cash held by County Departments	Client trust accounts	Total
Cash	\$ 54,777	\$ 3,516	\$ 3,150	\$ -	\$ 61,443
Cash Deposits	60,058	1,351,725	108,941	159,816	\$ 1,680,540
Certificates of Deposit	-	16,180,281	35,020	-	\$ 16,215,301
Local government investment pool – ColoTrust	-	4,252,293	-	-	\$ 4,252,293
Local government investment pool – CSafe	-	3,373,821	-	-	\$ 3,373,821
CSIP	-	519,879	-	-	\$ 519,879
Governmental Securities	-	20,752,738	-	-	\$ 20,752,738
	<u>\$ 114,835</u>	<u>\$ 46,434,253</u>	<u>\$ 147,111</u>	<u>\$ 159,816</u>	<u>\$ 46,856,015</u>

Investments in local government investment pools are rated AAAM by Standard & Poor's. Certificates of deposit have maturities ranging from 01/01/16 to 10/25/19. The investments in U.S. Treasury Bills have a maturity of less than one year.

Cash includes \$53,916 held by the County Sheriff, \$3,150 held by the County Clerk, \$35,786 held by the Morgan County Director of Cooperative Extension, \$554,259 held by Morgan County Fair Board, and \$159,816 held by the County Department of Human Services in client trust accounts.

Note 3: DEPOSITS AND INVESTMENTS (continued)

Investments

Interest rate risk. As a means of limiting its exposure to interest rate risk, the County diversifies its investments by security type and institution, and limits holdings in any one type of investment or any one type of institution. The

County investment policy restricts the maximum investment term to no more than three years from the purchase date. This limit on investment maturities is a means of limiting exposure to fair values arising from changes in interest rates.

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

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

Investments consist of United States treasury bills, notes, and obligations of United States agencies. Investments are made in accordance with State statutes for the investment of public funds, and are stated at fair value. ColoTrust and C-Safe are vehicles established for local government entities in Colorado to pool surplus funds. In accordance with state law, the County operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. All of these funds operate similarly to a money market fund and each share is equal in value to \$1.00. Investments of ColoTrust and C-Safe consist of various U.S. Government obligations. State law further limits investments in money market funds to those institutions with over \$1 billion in assets or the highest credit rating from one or more of a nationally recognized rating agency. The State Securities Commissioner administers and enforces all State statutes governing the trusts.

ColoTrust and C-Safe investments are over \$1 billion in assets, rated AAAM by Standard & Poor's, and maintain a constant net asset value of \$1 per share. ColoTrust and C-Safe are regulated by the State of Colorado, Department of Regulatory Agencies, Division of Securities, which establishes policies for and reviews the operation of local government investment pools in the state. Financial statements for CSAFE may be obtained at www.csafe.org and financial statements for ColoTrust may be obtained at www.ColoTrust.com.

Concentration of credit risk. The County limits investments to 20 percent or \$3,000,000, whichever is less, to be invested with any one institution or in any single type of investment, with the exception of U.S. Treasury obligations, Government securities, and Government Agency backed securities.

Note 3: DEPOSITS AND INVESTMENTS (continued)

Additionally, the County limits investments in any one government pooled trust funds to \$3,000,000.

At December 31, 2016, unrealized gains or (losses) were (\$227,792), which reflects the fair market value of investments

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

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

Fair Value Measurements. To the extent available, the County's investments are recorded at fair value as of December 31, 2016. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

Note 3: DEPOSITS AND INVESTMENTS (continued)

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

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

The following table summarizes the County’s investments within the fair value hierarchy at December 31, 2016.

	Fair Value Measurement Using			
	Fair Value as of 12/31/16	Quoted prices in active markets for identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Certificates of Deposit	\$ 16,215,301	\$ -	\$ 16,215,301	\$ -
Local Government Investment Pools	\$ 8,145,993	-	8,145,993	-
Government Securities	\$ 20,752,738	-	20,752,738	-
Total Investment by Fair Value Level	\$ 45,114,032	\$ -	\$ 45,114,032	\$ -

Deposits

Federal Deposit Insurance Corporation (FDIC) coverage for government accounts is \$250,000 per official custodian. At December 31, 2016, the County’s cash deposits and certificates of deposit had a book balance of \$17,642,329, and a corresponding bank balance of \$17,727,275. The difference between the book and bank balances is due to outstanding checks and deposits not yet processed by the banks. Of the bank balance, \$3,750,000 was covered by federal depository insurance. The remainder of the bank balance, \$13,977,275, was collateralized with securities held by the pledging financial institution and covered by eligible collateral as determined by the PDPA.

Note 4: RECEIVABLES

Receivables at December 31, 2016, consist of the following:

	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Total
Receivables:						
Taxes	\$ 10,135,757	\$ 4,951,135	\$ -	\$ -	\$ -	\$ 15,086,892
Accounts & other	\$ 29,894	\$ 42,215	\$ -	\$ 564,711	\$ 15,828	\$ 652,648
Intergovernmental	\$ 145,198	\$ 732,951	\$ 1,303	\$ -	\$ -	\$ 879,452
Gross Receivables	\$ 10,310,849	\$ 5,726,301	\$ 1,303	\$ 564,711	\$ 15,828	\$ 16,618,992
Less: allowance for						
Uncollectibles	\$ -	\$ -	\$ -	\$ (297,677)	\$ -	\$ (297,677)
Net total receivables	\$ 10,310,849	\$ 5,726,301	\$ 1,303	\$ 267,034	\$ 15,828	\$ 16,321,315

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

Note 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balances 1/1/2016	2016 Additions	2016 Deletions	Balances 12/31/2016
Governmental Activities:				
Capital assets not being depreciated:				
Land and Water Rights	\$ 1,266,521		\$ -	\$ 1,266,521
Construction in progress	\$ 54,864	\$ 319,552		\$ 374,416
Total capital assets not being depreciated	\$ 1,321,385	\$ 319,552	\$ -	\$ 1,640,937
Capital assets being depreciated:				
Buildings and improvements	\$ 18,769,377		\$ -	\$ 18,769,377
Equipment	\$ 16,810,740	\$ 1,707,127	\$ (682,072)	\$ 17,835,795
Infrastructure	\$ 440,140,151	\$ 2,523,893	\$ -	\$ 442,664,044
Total capital assets being depreciated	\$ 475,720,268	\$ 4,231,020	\$ (682,072)	\$ 479,269,216
Less accumulated depreciation:				
Buildings and improvements	\$ (11,375,393)	\$ (464,075)	\$ -	\$ (11,839,468)
Equipment	\$ (11,206,835)	\$ (927,510)	\$ 681,597	\$ (11,452,748)
Infrastructure	\$ (317,574,556)	\$ (8,953,641)	\$ -	\$ (326,528,197)
Total accumulated depreciation	\$ (340,156,784)	\$ (10,345,226)	\$ 681,597	\$ (349,820,413)
Total capital assets being depreciated, net	\$ 135,563,484	\$ (6,114,206)	\$ (475)	\$ 129,448,803
Governmental activities capital assets, net	\$ 136,884,869	\$ (5,794,654)	\$ (475)	\$ 131,089,740
Business-type Activities:				
Capital assets not being depreciated:				
Land and Water Rights	\$ 23,510	\$ 45,000	\$ -	\$ 68,510
Capital assets being depreciated:				
Buildings and improvements	\$ 1,283,929	\$ -	\$ (1,806)	\$ 1,282,123
Equipment	\$ 1,141,480	\$ 45,135	\$ (38,173)	\$ 1,148,442
Total capital assets being depreciated	\$ 2,425,409	\$ 45,135	\$ (39,979)	\$ 2,430,565
Less accumulated depreciation:				
Buildings and improvements	\$ (508,300)	\$ (36,196)	\$ 1,806	\$ (542,690)
Equipment	\$ (586,722)	\$ (68,426)	\$ 38,146	\$ (617,002)
Total accumulated depreciation	\$ (1,095,022)	\$ (104,622)	\$ 39,952	\$ (1,159,692)
Total capital assets being depreciated, net	\$ 1,330,387	\$ (59,487)	\$ (27)	\$ 1,270,873
Business-type activities capital assets, net	\$ 1,353,897	\$ (14,487)	\$ (27)	\$ 1,339,383

Note 5: CAPITAL ASSETS (continued)

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

Governmental activities:		
General government	\$	471,795
Public safety		134,022
Auxiliary services		56,551
Roads and bridges		8,942,797
Public welfare		634
Capital assets held by Morgan County's internal service		
fund are charged to the various functions based on their usage of the assets		739,427
Total depreciation expense – government activities	\$	<u>10,345,226</u>
Business-type activities:		
Ambulance service	\$	33,242
Solid waste management fund		71,380
Total depreciation expense – business-type activities	\$	<u>104,622</u>

Note 6: RISK MANAGEMENT

County Workers' Compensation Pool

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

Colorado Counties Casualty and Property Pool

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

Note 6: RISK MANAGEMENT (continued)

member counties. The County pays an annual contribution to CAPP for its property and casualty insurance coverage.

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

County's Health and Life Insurance Pool

The County provides employee health and life insurance coverage for all full-time employees. Coverage in 2016 was provided through the County Health Pool (CHP).

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

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

Note 7: LONG-TERM OBLIGATIONS

During the year ended December 31, 2016, the following changes occurred in the County's long-term obligations:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/16	One Year
Governmental Activities:					
Compensated absences	\$ 985,161	\$ 611,428	\$ (655,520)	\$ 941,069	\$ 522,346
Total Governmental	985,161	611,428	(655,520)	941,069	522,346
Business-Type Activities:					
Landfill closure and post closure care costs	874,535	33,203		907,738	
Compensated absences	96,406	52,228	(84,145)	64,489	36,550
Total Business-Type	970,941	85,431	(84,145)	972,227	36,550
Total Long-term obligations	\$ 1,956,102	\$ 696,859	\$ (739,665)	\$ 1,913,296	\$ 558,896

At year-end, \$185,970 of internal service funds compensated absences are included in the above amounts. For governmental activities, the majority of compensated absences are liquidated by the General Fund. The landfill closure and postclosure costs are liquidated by the Solid Waste Fund, which is a business-type activity.

Note 8: INTERFUND ASSETS/LIABILITIES

The County reports interfund balances between many of its funds. These balances result from a time lag between the dates interfund goods and services are provided or reimbursable expenditures occur and payments between funds occur. Interfund balances are generally expected to be repaid within one year of the financial statement date. The sum of all balances presented in the table agrees with the sum of interfund balances presented in the balance sheets for governmental and proprietary funds.

Interfund Receivables/Payables:

\$ 51	Solid Waste Management
(11,188)	Ambulance Service
(17,940)	Solid Waste Management
<u>\$ (29,077)</u>	Business Type Totals
\$ (92,877)	General Fund
(126,172)	Road & Bridge Department
(19,374)	Social Services
(64)	Jail Capital Improvement
(366)	Lodging and Tourism
<u>\$ (238,853)</u>	
267,930	Central Services Fund
<u>\$ 29,077</u>	Governmental Activities Totals

Note 9: INTERFUND TRANSFERS

In 2016 the County General Fund transferred \$120,000 to the County Jail Capital Improvement Fund. The transfer was budgeted and done to increase funds being accumulated in the Jail Capital Improvement Fund. This fund was created to account for money for future expansion of the County's Judicial Center building.

Note 10: TABOR COMPLIANCE

Emergency Reserve - Tax Spending and Debt Limitations

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

Note 10: TABOR COMPLIANCE (continued)

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

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

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

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

The Article requires an emergency restriction be set aside in the amount of 3% or more of its fiscal year spending. At December 31, 2016, the County has restricted \$750,000 in the General Fund for this purpose, which is in excess of the required 3%.

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

Note 11: CLOSURE AND POSTCLOSURE CARE COSTS

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

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

Note 11: CLOSURE AND POSTCLOSURE CARE COSTS (continued)

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

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

In compliance with Section 1.8 of the Colorado Regulations Pertaining to Solid Waste Sites and Facilities (Regulations), a revised calculation of costs for closure and postclosure was completed in 2013 by American Environmental Consulting, LLC.

At December 31, 2016, the closure cost for the Morgan County landfill was \$2,328,874 and estimated postclosure care cost was \$481,203. The \$907,738 reported as landfill closure and postclosure care liability at December 31, 2016, represents the cumulative amount reported to date based on a 31.96 percent capacity usage of the estimated total cost of closure and postclosure care of \$2,840,352. This is an increase of \$33,203 from the closure and postclosure liability reported in 2015.

The County will recognize the remaining estimated cost of closure and postclosure care of \$1,932,614 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2016. The remaining life of the landfill is 67 years. The County expects to close the landfill in the year 2083. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The County will be required by state and federal laws and regulations to provide certain financial assurances, which might include making annual contributions to a trust, to finance these closure and postclosure care costs. The County does not expect to pay any postclosure costs within the next year.

Note 12: BUDGETARY DATA

The actual results of operations are presented in accordance with generally accepted accounting principles which differ in certain respects from those practices used in the preparations of the 2016 budget. For purposes of preparing the Statements of Revenues, Expenditures and Changes in Fund

Note 12: BUDGETARY DATA (continued)

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

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

	Proprietary Fund Types		
	Central Service Fund	Solid Waste Management Fund	Ambulance Service Fund
Net Income (Loss) GAAP Basis	\$ 208,938	\$ 295,659	\$ 141,658
Increase (Decrease) Due To:			
Capital Outlay	<u>(1,099,150)</u>	<u>(45,135)</u>	<u>(45,000)</u>
Net Income (Loss) Budgetary Basis	<u>\$ (890,212)</u>	<u>\$ 250,524</u>	<u>\$ 96,658</u>

Note 13: JOINTLY GOVERNED ORGANIZATIONS

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

Northeastern Colorado Association of Local Governments

Northeastern Colorado Association of Local Governments was organized pursuant to Article XIV, Section 18 (2) of the Colorado Constitution and 29-1-401, 29-1-402, and 29-1-403, CRS.1973. Membership is open to the counties and incorporated municipalities comprising Colorado Planning and Management Region One. The purpose of the organization is to promote regional cooperation and coordination among local governments. The organization is governed by a Board of Directors. Morgan County's representation consists of one regular representative and one alternate representative to the Board. In 2016, the County paid \$37,038 to Northeastern Colorado Association of Local Governments.

Note 13: JOINTLY GOVERNED ORGANIZATIONS (continued)

Northeast Colorado Health Department

The Northeast Colorado Health Department's jurisdiction, at the discretion of the Board's of County Commissioners, extends over all unincorporated areas and all municipal corporations in Logan, Morgan, Phillips, Sedgwick, Washington, and Yuma Counties. The Department administers and enforces laws pertaining to public health, vital statistics, and water quality control. It is a public organization consisting of a Board of Health, a public health officer, and any other personnel as required to fulfill the functions of the Department. The Board of Health is comprised of eight members. Morgan County has two representatives on the Board, requiring that one appointee lives within the City of Fort Morgan. In 2016, the County paid \$277,362 to Northeast Colorado Health Department.

Centennial Mental Health Center

Centennial Mental Health Center was incorporated pursuant to C.R.S. 7-22-101-110 to serve the behavioral health needs of ten participating counties. The Board of Directors (Board) consists of twenty-one members. Morgan County has two directorships on the Board. The Board of County Commissioners has the right to name the Commissioner Representatives, who may be, but are not required to be, a member of the Board of Commissioners. At least one-half of the Board shall be persons who are not providers of health care. In 2016, the County paid \$52,724 to Centennial Mental Health Center.

Note 14: RETIREMENT PLAN

The Morgan County Retirement Plan (the Plan) is a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is governed by Title 24, article 54 of the Colorado Revised Statutes. CRS 24-54-107 mandates the management of the Plan by a "county board of retirement." The County's Retirement Board is composed of five members including two County employees, two Commissioner appointees from the community, and the County Treasurer. Benefit provisions and contribution requirements can only be changed by the County's Retirement Board.

Employees are entered into the plan upon completion of one year of service with the County. The County and the employee each contribute an amount equal to 4.00% of the employee's gross wages. Employees may make additional voluntary contributions not to exceed 100% of the Plan contribution. Contribution rates may be amended by vote of the County Commissioners.

Net earnings or losses are allocated quarterly to Plan participants. The allocation is based on each participant's balance at the beginning of that quarter.

Note 14: RETIREMENT PLAN (continued)

Participants receiving benefit payments upon retirement or termination are allocated earnings through the date of termination.

Participants vest in employer contributions and in the earnings, losses and changes in fair market value of the plan assets at a rate of 20% per year.

Participants are immediately vested 100% in their own contributions and earnings. County contributions and those earnings which have not vested to an employee terminating activity in the plan are returned to the County to use in meeting current and future funding requirements.

Both the County and the covered employees made the required 4.00% contributions, amounting to \$315,596 from the County and \$445,113 from the employees (including voluntary contributions) for a total contribution of \$760,709.

If employment terminates, the Plan permits distribution of the vested account. Distribution may be made as soon as practicable following the date of termination.

Note 15: CONTINGENT LIABILITIES

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

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

Note 16: CONSTRUCTION COMMITMENTS

The County has three active capital construction projects as of December 31, 2016. The projects are:

- Continuation of the County-wide base map for the County's Geographical Information System (GIS) project.
- Upgrade of the Morgan County Communications Center – Tower Link Project.
- Replacement of the bridge deck on Morgan County's Cooper Bridge.

Note 16: CONSTRUCTION COMMITMENTS (continued)

At December 31, 2016, the County's commitment with the vendor is as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
<u>Central Services Fund</u>		
GIS base map Phase IX	\$ 105,522	\$ 13,352
<u>General Fund</u>		
Microwave HOP/Radio	\$ 218,850	\$ 24,317
<u>Road and Bridge Fund</u>		
Bridge Construction	\$ 183,626	\$ 1,694,413