MORGAN COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

As required by generally accepted accounting principles, these financial statements present Morgan County, Colorado (the primary government) and its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the County's financial statements to be misleading or incomplete.

Blended component units are combined with data of the primary government. Each blended component unit has a December 31 year end.

Included in the primary government reporting is the following blended component unit:

<u>Morgan County Building Authority</u>
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. The Morgan County Building Authority does not issue separate financial statements.

B. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information. The government-wide focus is more on the sustainability of the County as an entity and the change in aggregate financial position resulting from activities of the fiscal period.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. In the government-wide statement of net assets, 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. 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.

Generally, the effect of the interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. The "doubling up" effect of internal service activity has been removed from the government-wide statements with the expenses shown in the various functions and segments on the Statement of Activities.

Morgan 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, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. 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* 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* administers human services programs under state and federal regulations. 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 Fund accounts for resources received and disbursed by the County Clerk 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. Taxes levied in December 2008, are recorded in governmental funds as taxes receivable and deferred revenues as of December 31, 2008, since the amount is measurable but not available until 2009. 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 current assets.

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 total assets.

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.

In accounting and reporting for its government-wide and proprietary financial statements, the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless in conflict or contradiction with GASB pronouncements - Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure. Governments also have the option of following subsequent pronouncements for their business-type activities and enterprise funds. The County has elected to not follow subsequent pronouncements.

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 revenues account is established. 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 recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Budgets

Annually appropriated budgets were adopted for all funds except for the Emergency Reserve Fund and Sheriff's Confiscation/Seizure Fund, both Special Revenue Funds, and the Agency Funds. However, any administrative costs incurred by the Sheriff's Confiscation/Seizure Fund are budgeted in the County's General fund. A budget is not adopted for the Building Authority Certificate Fund, a blended component unit. The annual lease payment from the County to the Building Authority is budgeted in the Social Services Fund. 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 14.

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, and do not include the actual data for those funds not adopting budgets.

G. Cash and Investments

For the purpose of the Cash Flows Statement, cash 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. In addition, Funds Held By Agency Funds - County Treasurer are considered to be a cash equivalent.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

H. Short-term Interfund Receivables/Payables

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

I. Inventories

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

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December, 31, 2008 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.

Historically, a government's largest group of assets (infrastructure – roads, bridges, traffic signals, etc) have not been reported nor depreciated in governmental financial statements. GASB Statement 34 requires that these assets be valued and reported within the governmental activities section of the government-wide financial statements. Pursuant to GASB Statement 34, the County has capitalized infrastructure prospectively beginning January 1, 2003.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All other infrastructure has been retroactively reported and depreciated, as required, for the fiscal year ending December 31, 2007. The County was able to determine historical costs for infrastructure acquisitions using actual construction costs when available and back trending (estimating replacement cost and using an appropriate price-level index to deflate the cost to the acquisition year) when actual costs were not available.

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 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. Compensated Absences

Accumulated vacation 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 unused 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 vacation 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 vacation leave and termination payments for sick leave are accrued when incurred in the government-wide and proprietary financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

N. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding debt on assets.

P. 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 initiallymade 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)

Q. Comparative Data

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.

R. Use of Estimates

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

Note 2: LEGAL COMPLIANCE - BUDGETS AND PROPERTY TAXES

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

For 2008, 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. In 2008, the Ambulance Service Fund expenditures exceeded appropriations by $8,453.

Note 3: DEPOSITS AND INVESTMENTS

Deposits

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. On October 3, 2008, the Federal Deposit Insurance Corporation (FDIC) deposit insurance temporarily increased from $100,000 to $250,000 per depositor through December 31, 2009. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined 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 market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

At December 31, 2008, the carrying amount of the County's deposits of the Governmental activities totaled $10,688,077. Federal insurance coverage totaled $1,507,670. The balance of $9,180,407 falls under the provisions of the Colorado Public Deposit Protection Act.

The carrying amount of the County's deposits of the Business-type activities totaled $3,244,479. Federal insurance coverage totaled $457,669. The balance of $2,786,810 falls under the provisions of the Colorado Public Deposit Protection Act.

As of December 31, 2008, $1,707,972 has been reserved for road and bridge improvements and $1,460,229 for funding the costs of opening a new landfill cell. As of December 31, 2008, $554,905 has been reserved for emergencies (Note 12).

Cash includes $44,323 held by the County Sheriff, $40,199 held by the County Clerk, $36,444 held by the Morgan County Director of Cooperative Extension, $43,606 held by Morgan County Fair Board, and $32,384 held by the County Department of Human Services in client trust accounts.

Note 3: DEPOSITS AND INVESTMENTS (continued)

The certificates of participation issued by the Morgan County Building Authority – Certificate Fund require a reserve of $248,500. This reserve is funded by $267,614 that is held in a money market account by the trust agent, American National Bank.

Investments

At December 31, 2008, the County's investment balances were as follows:

	Fair Value
U.S. Treasury Bills	$ 8,975,366
Local government investment pool – ColoTrust	1,402,201
Local government investment pool – C-Safe	1,945,936
Total Investments	$12,323,503

All of the County's U.S. Treasury bills mature within one year.
All of the County's certificates of deposit mature within one year.

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 one year 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. 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.

Note 3: DEPOSITS AND INVESTMENTS (continued)

ColoTrust and C-Safe investments are over $1 billion in assets, rated AAA 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.

On February 27, 2009, Standard and Poors placed CSAFE on credit watch with negative implications.

The County previously held funds at Colorado Diversified Trust. On September 17, 2008, the funds were transferred to ColoTrust as a result of liquidation of Colorado Diversified Trust. The County recognized a loss of approximately $39,000 from the pro-rata share of the liquidation transfer to ColoTrust.

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

The County has reported all investments at fair value as required by Governmental Accounting Standards Board Statement 31 - Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

Note 4: RECEIVABLES

Receivables at December 31, 2008, consist of the following:

	General	Special Revenue	Enterprise	Internal Service	Debt Service	Total
Receivables:						
Interest					$49	$ 49
Taxes	$7,024,497	$4,058,190				11,082,687
Accounts & other	25,091	39,380	$460,144	$18,035		542,650
Intergovernmental	161,064	1,274,064				1,435,128
Gross receivables	7,210,652	5,371,634	460,144	18,035	49	13,060,514
Less: allowance for uncollectibles			(227,000)			(227,000)
Net total receivables	$7,210,652	$5,371,634	$233,144	$18,035	$49	$12,833,514

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, 2008, was as follows:

	Balances 1/01/08	2008 Additions	2008 Deletions	Balances 12/31/08
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,248,244	$ 0	$ 0	$1,248,244
Construction in progress	162,930	226,744	(67,625)	322,049
Total capital assets not being depreciated	1,411,174	226,744	(67,625)	1,570,293
Capital assets being depreciated:				
Buildings and improvements	17,672,650	72,871	0	17,745,521
Equipment	12,040,773	1,037,171	(759,856)	12,318,088
Infrastructure	429,521,597	791,931	0	430,313,528
Total capital assets being depreciated	459,235,020	1,901,973	(759,855)	460,377,137
Less accumulated depreciation:				
Buildings and improvements	(7,565,862)	(448,634)	0	(8,014,496)
Equipment	(8,573,214)	(925,465)	473,418	(9,025,261)
Infrastructure	(246,502,861)	(8,967,243)	0	(255,470,104)
Total accumulated depreciation	(262,641,937)	(10,341,342)	473,417	(272,509,861)
Total capital assets being depreciated, net	196,593,083	(8,439,369)	(286,438)	187,867,276
Governmental activities capital assets, net	$198,004,257	$(8,212,625)	$(354,063)	$189,437,569
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 23,510	$ 0	$ 0	$ 23,510
Capital assets being depreciated:				
Buildings and improvements	750,190	0	0	750,190
Equipment	269,029	38,300		307,329
Total capital assets being depreciated	1,019,219	38,300	0	1,057,519
Less accumulated depreciation:				
Buildings and improvements	(264,055)	(29,932)	0	(293,987)
Equipment	(203,962)	(17,021)	0	(220,983)
Total accumulated depreciation	(468,017)	(46,953)	0	(514,970)
Total capital assets being depreciated, net	551,202	(8,653)	0	542,549
Business-type activities capital assets, net	$574,712	$ (8,653)	$ 0	$566,059

Note 5: CAPITAL ASSETS (continued)

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

Governmental activities:	
General government	$ 508,991
Public safety	177,646
Auxiliary services	63,308
Roads and bridges	8,937,227
Public welfare	14,293
Capital assets held by Morgan County's internal service fund are charged to the various functions based on their usage of the assets	639,877
Total depreciation expense – government activities	$10,341,342

Business-type activities:	
Ambulance service	$30,044
Solid waste management fund	16,909
Total depreciation expense – business-type activities	$46,953

Note 6: RISK MANAGEMENT

County Workers' Compensation Pool

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

Colorado Counties Casualty and Property Pool

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

Note 6: RISK MANAGEMENT (continued)

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

County's Health and Life Insurance Pool

The County provides employee health and life insurance coverage for all full-time employees. Coverage in 2008 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 LIABILITIES

Morgan County Building Authority Certificate of Participation

On June 1, 1999, Morgan County entered into a lease-purchase agreement with the Morgan County Building Authority, a Colorado non-profit corporation, created for the purpose of constructing and financing a Human Services building. The project is to be owned by the Morgan County Building Authority as Lessor subject to the annually renewable leasehold interest of the County and to the County's annual right to purchase the complex.

The construction of the building was financed by the sale of Indenture Certificates of Participation, pursuant to a Mortgage and Indenture of Trust, also dated June 1, 1999, between the Lessor and American National Bank of Denver serving as trustee. Payments under the lease are classified as base rentals and additional rentals. Additional rentals shall be those to cover such items as insurance and repair costs.

For the year ended December 31, 2008, the County (Social Services Fund) paid a net lease payment of $296,269 to the Morgan County Building Authority. The net lease payment consisted of the annual base rental of $319,930 less $23,661 of interest income earned from funds on deposit with the trustee.

Note 7: LONG-TERM LIABILITIES (continued)

The County has the right to terminate the annual lease by nonappropriation of the annual base rentals and additional rentals for any ensuing fiscal year. The original lease term commenced June 1, 1999, and terminated December 31, 1999. The total cost of the Human Service's building is $4,189,609. Total accumulated depreciation is $1,021,217 for a book value at December 31, 2008, of $3,168,392.

Neither the Lease nor the Certificates constitutes a general obligation or other indebtedness of the County. Neither the Lease nor the Certificates constitutes a multiple-fiscal year direct or indirect debt or other financial obligation of the County to make any payments beyond those appropriated for any fiscal year in which the Lease is in effect. The Certificate of participation requires the Morgan County Building Authority - Certificate Fund to maintain a required reserve of $248,500. This reserve has been fully funded with $267,614 held in a money market account by the trustee, American National Bank (Notes 3 and 12).

The Morgan County Building Authority Certificate of Participation outstanding at December 31, 2008, is as follows:

Date	Interest Rate	Principal Component	Interest Component	Fiscal Total Base Rental
06/01/09			$ 60,548	
12/01/09	4.500	$ 200,000	60,547	$ 321,095
06/01/10			56,048	
12/01/10	4.600	210,000	56,047	322,095
06/01/11			51,218	
12/01/11	4.650	220,000	51,217	322,435
06/01/12			46,103	
12/01/12	4.750	230,000	46,102	322,205
06/01/13			40,640	
12/01/13	4.800	240,000	40,640	321,280
06/01/14			34,880	
12/01/14	4.850	250,000	34,880	319,760
06/01/15			28,818	
12/01/15	5.000	265,000	28,817	322,635
06/01/16			22,193	
12/01/16	5.050	275,000	22,192	319,385
06/01/17			15,249	
12/01/17	5.100	290,000	15,249	320,498
06/01/18			7,854	
12/01/18	5.150	305,000	7,854	320,708
		$2,485,000	$727,096	$3,212,096

Principal and interest requirements have been presented in the above schedule for each of the subsequent five years. The principal and interest requirements for the subsequent five year period is principal of $1,385,000 and interest of $217,986 (2014 – 2018).

Note 8: LONG-TERM OBLIGATIONS

During the year ended December 31, 2008, the following changes occurred in the County's long-term obligations:

	Balance 01/01/2008	Additions	Deletions	Balance 12/31/2008	One Year
Governmental Activities:					
Certificates of participation	$2,675,000	$ 0	$(190,000)	$2,485,000	$200,000
Compensated absences	866,904	69,800	(108,019)	828,685	61,747
Total Governmental	3,541,904	69,800	(298,019)	3,313,685	261,747
Business-Type Activities:					
Landfill closure and post closure care costs	477,385	15,972	0	493,357	0
Compensated absences	57,138	17,783	0	74,920	28,141
Total Business-type	534,523	33,755	0	568,277	28,141
Total long-term obligations	$4,076,427	$103,555	$(298,019)	$3,881,962	$289,888

At year end, $184,851 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 liquitated by the Solid Waste Fund, which is a business-type activity.

Note 9: 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:

Receivable Funds	Payable Funds	Amount
Central Services	Road & Bridge	$ 150,347
	General	116,350
	Ambulance	15,894
	Solid Waste Management	10,031
	Social Services	5,497
General	Central Services	507
	Ambulance	394
	Road & Bridge	288
	Solid Waste Management	126
	Non-major Governmental	67
Solid Waste Management	Road & Bridge	886
		$ 300,387

Note 9: INTERFUND ASSETS/LIABILITIES (continued)

Due To/Due From:

Receivable Funds	Payable Funds	Amount
Certificate	General	$ 122,285
Jail Capital Improvement	General	76,570
Solid Waste Management	General	691
General	Solid Waste Management	600
General	Ambulance Service	350

Note 10: INTERFUND TRANSFERS

Transfers From/To Other Funds:

This transfer was used to subsidize funding for a capital purchase.

Receivable Funds	Payable Funds	Amount
Jail Capital Improvement	General	$ 213,773
General	Ambulance Service	25,339

This transfer was to move all of the Emergency Reserve to the General Fund.

Receivable Funds	Payable Funds	Amount
General	Emergency Reserve	$ 414,905

Note 11: DESIGNATED FUND EQUITY AND OTHER BUDGET INFORMATION

Fund Balance – Appropriations

Ending fund balances have been appropriated through adoption of the 2009 budget in order to provide for the anticipated excess of expenditures over revenue during the 2009 budget year. For governmental fund types these amounts are shown as designated fund balances. The appropriations in excess of revenues for the 2009 budget year are as follows:

Governmental Fund Types	
General Fund	$ 943,810
Special Revenue Funds	
Road & Bridge Fund	504,476
911 Emergency Telephone	307,837
Social Services	240,185
Lodging Tax & Tourism	10,400
Total	$ 2,006,708

Note 11: DESIGNATED FUND EQUITY AND OTHER BUDGET INFORMATION (continued)

Proprietary Fund Types	
Enterprise Fund	
Solid Waste Management	$792,668
Ambulance Service	52,810
Internal Services Fund	
Central Services Fund	104,825
Total	$ 950,303

Fund Balance – Capital Improvements

Ending fund balances have been designated by the County Board of Commissioners for anticipated capital improvement projects. For governmental fund types these amounts are shown as designated fund balances. The funds designated for capital improvements are as follows:

Governmental Fund Types	
General Fund	$1,000,000

Fund Balance – Debt Service

Ending fund balances have been designated by the County Board of Commissioners for anticipated debt service payments. For governmental fund types these amounts are shown as designated fund balances. The funds designated for debt services are as follows:

Governmental Fund Types	
General Fund	$1,300,000

General Fund - Entrusted to Other Agencies

This represents monies ($82,433) that have been entrusted to other agencies as follows:

Two thousand, three hundred, eighty-three dollars ($2,383) has been entrusted to the Morgan County Sheriff.

Thirty-six thousand, four hundred forty-four dollars ($36,444) has been entrusted to the Morgan County Director of Cooperative Extension for the use in providing education programs within guidelines as set by Colorado State University and Morgan County.

Note 11: DESIGNATED FUND EQUITY AND OTHER BUDGET INFORMATION (continued)

Forty-three thousand, six hundred six dollars ($43,606) has been entrusted to the Morgan County Fair Board for uses in operating the Morgan County Fair and other such uses as provided by Colorado Statute.

These monies are for the usage of these agencies within the confines of the appropriations made annually within the General Fund.

Note 12: RESERVED FUND BALANCE

In governmental funds, reserves are used in connection with financial assets that are not yet spendable or to reflect legal restrictions on the use of assets. Reserved fund balances at December 31, 2008, are as follows:

	General Fund	Special Revenue Funds	Debt Service Funds	Total
Reserved for Inventories	$ 3,345	$ 150,226	$ 0	$ 153,571
Reserved for Debt Service	0	0	248,500	248,500
Reserved for Capital Improvements	0	1,707,972	0	1,707,972
Reserved for Emergencies	554,905	0	0	554,905
Total	$558,250	$1,858,198	$248,500	$2,664,948

Inventories

Fund balance has been reserved by an amount corresponding to the value of inventory held by the General Fund, $3,345, and the Road and Bridge Fund, $150,226.

Debt Service

The Morgan County Building Authority Certificate Fund maintains the required reserve amount of $248,500 to be held in an account by the trustee, American National Bank. This reserve is held to be used if necessary, as payment for the lease purchase of the Human Services building (Notes 3 and 7).

Capital Improvements

The County has reserved $1,707,972 in the Road and Bridge Fund for capital improvements for repairs and replacements of County bridges. Beginning in 1997, a minimum of $50,000 is added annually to the reserve. The reserve balance will be increased by all interest earnings.

Note 12: RESERVED FUND BALANCE (continued)

The County has reserved $1,460,229 in the Solid Waste Management Fund. In 1997, the County reserved $500,000 in the Solid Waste Management Fund to initially fund the costs of opening a new landfill cell. Annual reserve additions of $50,852 have been made from 1998 through 2008. These monies are deposited in an interest bearing account with all interest returned to the reserve.

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.

The County's financial activity for the year ended December 31, 2008, will provide the basis for calculation of future limitations adjusted for allowable increases tied to inflation and local growth. Subsequent to December 31, 2008, 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 reservation as a result of Article X, Section 20 (TABOR) of the Colorado Constitution:

> The Article requires an emergency reserve be set aside for 2008 in the amount of 3% or more of its fiscal year spending. At December 31, 2008, the County has reserved $554,905 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 13: 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. The Governmental Accounting Standards Board (GASB) has adopted Statement #18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs, which provides guidance for the accounting and financial reporting of these closure and postclosure costs. The GASB statement required 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 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. A revised calculation of costs for closure and postclosure was completed in 2008 by Paragon Consulting Group. According to the calculations, costs have declined and the life of the landfill has been extended. At December 31, 2008, the closure cost for the Morgan County landfill was $1,063,359 and estimated postclosure care cost was $590,858. The $493,357 reported as landfill closure and postclosure care liability at December 31, 2008, represents the cumulative amount reported to date based on a 29.82 percent capacity usage of the estimated total cost of closure and postclosure care of $1,654,217. This is an increase of $15,972 from the closure and postclosure liability reported in 2007.

The County will recognize the remaining estimated cost of closure and postclosure care of $1,618,608 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2008. The County expects to close the landfill in the year 2051. 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 14: 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 2008 budget. For purposes of preparing the Statements of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual, the actual results of operations have been adjusted to a basis consistent with the County's budgeted revenues and expenditures.

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

	Proprietary Fund Types		
	Central Service Fund	Ambulance Service Fund	Solid Waste Management Fund
Net Income (Loss)			
GAAP Basis	$ 292,288	$ (194,717)	$ 180,984
Increase (Decrease) Due To:			
Depreciation	639,877	30,044	16,909
Capital Outlay	(679,371)	0	(38,300)
Net Income (Loss)			
Budgetary Basis	$ 252,794	$(164,673)	$ 159,593

Note 15: 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.

The following is selected financial information for the jointly governed service organizations:

	Northeastern Colorado Association of Local Governments	District Attorney 13th Judicial District	Northeastern Colorado Bookmobile Service
Fiscal year ended-->	December 31, 2008	December 31, 2007	December 31, 2007
Assets	$ 1,865,466	$ 115,531	$ 85,174
Liabilities	1,079,229	80,839	0
Equity	786,237	34,692	85,174
Revenues	5,486,433	1,511,569	129,706
Expenditures	5,437,445	1,534,987	127,450

Note 15: JOINTLY GOVERNED ORGANIZATIONS (continued)

Fiscal year ended-->	Northeastern Colorado Health Department December 31, 2007	Centennial Mental Health Center Incorporated June 30, 2008
Assets	$ 1,893,674	$ 4,821,952
Liabilities	240,739	2,005,424
Equity	1,652,935	2,816,528
Revenues	2,596,498	6,560,380
Expenditures	2,742,958	6,484,804

Note 16: RETIREMENT PLAN

The Morgan County Retirement 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 our community, and the County Treasurer.

Employees are entered into the plan upon completion of one year of service with Morgan 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 10% of their gross wages. Contribution rates may be amended by vote of the County Commissioners.

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

Participants vest in employer contributions and in the earnings, losses and changes in fair 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.

The County's contributions were calculated using an applicable wage base of $8,006,560. Total payroll for the County amounted to $9,622,893 in 2008. Both the County and the covered employees made the required 4.00% contributions, amounting to $320,262 from the County and $433,520 from the employees (including voluntary contributions) for a total contribution of $753,782.

Note 16: RETIREMENT PLAN (continued)

Benefit payments are made as of the effective date of each participant's retirement or termination. At retirement, each participant has the option of receiving their vested balance in cash or having the Association place the funds in a bank account maintained under the joint control of the Association and the retiring individual.

Note 17: OTHER SIGNIFICANT MATTERS

Financing Agreement

On July 1, 1993, Morgan County provided for the advance refunding of the 1979 Series A Pollution Control Revenue Bonds with the issuance of a $50,000,000, 1993 Series A Pollution Control Revenue Bond (Xcel Energy of Colorado).

The 1979 Series A revenue bonds were redeemed on August 2, 1993, by the proceeds of the 1993 Series A revenue bonds.

The County is obligated to pay the principal and interest on the bonds solely from the receipts and revenues received from Xcel Energy of Colorado as payments on the First Mortgage Bonds. Pursuant to the indenture, the First Mortgage Bonds are pledged by the County to the trustee to secure the payment of principal and interest. In addition, the County has pledged and assigned to the trustee all its rights and interests under the financing agreement (other than its rights to reimbursements of expenses) including its right to delivery of the First Mortgage Bonds, and has pledged to the trustee all monies and obligations deposited in the Bond Fund established with the trustee.

The bonds and interest appurtenant thereto do not constitute debt or indebtedness of the County under Colorado law and shall never constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

Note 18: 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 received 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 19: CONSTRUCTION COMMITMENTS

The County has three active capital construction projects as of December 31, 2008. The projects include:

- The purchase and installation of a new security camera system at the County's Jail/Judicial Complex building
- Completion of the parcel ownership layer for the County's Geographical Information System (GIS) project.
- Completion of the County's high speed Wide Area Network (WAN) connectivity.

At December 31, 2008, the County's commitments with vendors are as follows:

Project	Spent to Date	Remaining Commitment
Security camera system	$ 248,016	$36,912
GIS parcel layer	74,033	1,667
Total	$322,049	$38,579

MORGAN
COUNTY

Where Prairie Meets The Sky