



City of Fort Morgan, Colorado

**Financial Statements and Supplementary
Information**

For the Year Ended December 31, 2019



City of Fort Morgan, Colorado

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Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Fort Morgan, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Morgan, Colorado (the "City"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Morgan, Colorado as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matters

As further described in Note 13, the COVID-19 outbreak in 2020 has caused business disruption in a variety of industries, markets and geographic regions, which has resulted in considerable uncertainty as to the financial impact and duration, which cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, the budgetary comparison information on pages 63 through 65, and pension and other post-employment benefit related schedules on pages 66 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Local Highway Finance Report, and schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, on pages 76 through 101 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Local Highway Finance Report, and schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

ACM LLP

Greeley, Colorado
July 7, 2020



City of Fort Morgan

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fort Morgan, Colorado (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$165 million (net position). Of this amount, \$57 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net position increased by \$16 million in the current year. The City recognized an approximate \$1.0 million decrease in its main operating fund (General Fund) and had a net increase of \$6.1 million in its enterprise funds net position.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$29.5 million, an increase of \$.8 million or 2.7%. Of this amount \$23.7 million is available for spending through the adoption of the 2020 budget.

The General Fund's unassigned fund balance at December 31, 2019 was \$23.7 million, or 215% of total General Fund expenditures.

For 2019, the City's total debt decreased by \$1.4 million to \$10.6 million due to annual retirement of water bonds and notes.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 14 to 16) provide information about the activities of the City as a whole and present a long-term view of the City's finances. The fund basis financial statements start on page 17. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The statements for fiduciary funds provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 14. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position, the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial



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factors, however, such as changes in the City's property tax base and the condition of the City's roads and infrastructure, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities - Most of the City's basic services are reported here, including the police, fire, public works, recreation, golf, cemetery, library, museum, parks, and general administration. Property taxes, sales taxes, franchise fees, and grants finance most of these activities.

Business-type activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's electric, gas, water, waste water, sanitation and fiber network operations are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 17. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two main kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements. The governmental funds of the City are the General Fund, Police Forfeiture Fund, Capital Improvement Fund, Golf Fund, and Conservation Trust Fund.

Proprietary funds - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are reported as the business-type activities in the government-wide statements. These enterprise fund statements provide more detail and additional information, such as cash flows, for proprietary funds. The enterprise funds of the City are the Electric Fund, Gas Fund, Water Fund, Waste Water Fund, Sanitation Fund and Fiber Network Fund. We use an internal service fund (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities, such as the City's Self Insurance Fund.

The City as Trustee

The City is the trustee, or fiduciary, for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and



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Changes in Fiduciary Net Position on pages 25 and 26. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. As of December 31, 2019, the City's Trust funds are the Cemetery Perpetual Care Fund and Riverview Commons GID Fund.

THE CITY AS A WHOLE

Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fort Morgan, assets exceeded liabilities by \$164.6 million at December 31, 2019.

By far the largest portion of the City of Fort Morgan's net position (62.5%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (3.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$56.1 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Fort Morgan is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

SUMMARY OF NET POSITION, in thousands December 31, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$38,964	\$36,633	\$52,441	\$46,296	\$91,405	\$82,929
Long term Receivables	-	-	\$0	\$216	\$0	216
Capital assets	46,808	37,893	66,680	67,304	113,488	105,197
Total assets	85,772	74,526	119,121	113,816	204,893	188,342
Deferred Outflows of resources	2,334	1,300	1,386	834	3,720	\$2,134
Liabilities:						
Long-term liabilities outstanding	10,864	9,122	17,055	17,983	27,919	27,105
Other liabilities	2,698	1,091	2,554	2,123	5,252	3,214
Total liabilities	13,562	10,213	19,609	20,106	33,171	30,319
Deferred Inflows of resources	2,737	3,711	7,654	7,436	10,391	11,147
Net position:						
Net investment in capital assets	46,808	37,894	56,036	55,240	102,844	93,134
Restricted	5,622	3,571	-	-	5,622	3,571
Unrestricted	19,377	20,437	37,208	31,868	56,585	52,305
Total net position	\$71,807	\$61,902	\$93,244	\$87,108	\$165,051	\$149,010



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Net position of the City’s governmental activities increased 15.2% (\$71.3 million compared to \$61.9 million). Unrestricted net position decreased \$1.5 million.

The net position of the City’s business-type activities increased by approximately \$5.3 million. The City generally can only use this net position to finance the continuing operations of the electric, gas, water, waste water, sanitation and fiber network functions.

SUMMARY OF CHANGES IN NET POSITION, in thousands
For the Years Ended December 31, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program Revenues:						
Charges for services	\$ 884	\$ 939	\$ 36,596	\$ 36,451	\$ 37,480	\$ 37,390
Operating grants and contributions	1,524	1,272	-	-	1,524	1,272
Capital grants and contributions	1,431	275	48	335	1,479	610
General Revenues:						
Property taxes	1,670	1,687	-	-	1,670	1,687
Sales & Use Tax	11,538	10,125	-	-	11,538	10,125
Intergovernmental - in Lieu of Tax	3,934	3,924	-	-	3,934	3,924
Franchise taxes	88	88	-	-	88	88
Specific ownership taxes	177	172	-	-	177	172
Earnings on investments	846	369	1,330	573	2,176	942
Miscellaneous	1,107	535	565	658	1,672	1,193
Gain (loss) on sale of capital assets	(18)	(10)	-	-	(18)	(10)
Total Revenues	23,181	19,376	38,539	38,017	61,720	57,393
EXPENSES						
General government	2,972	3,174	-	-	2,972	3,174
Public safety	4,750	5,153	-	-	4,750	5,153
Community development and public works	1,524	1,515	-	-	1,524	1,515
Parks and recreation	4,028	4,188	-	-	4,028	4,188
Golf course	-	-	-	-	-	0
Electric	-	-	18,883	20,423	18,883	20,423
Water	-	-	6,326	6,998	6,326	6,998
Gas	-	-	3,955	4,285	3,955	4,285
Waste water	-	-	2,154	2,446	2,154	2,446
Sanitation	-	-	1,076	1,194	1,076	1,194
Interest on long-term debt	3	2	-	-	3	2
Fiber network	-	-	10	10	10	10
Total Expenses	13,277	14,032	32,404	35,356	45,681	49,388
Increase (decrease) in net position	9,904	5,344	6,135	2,661	16,039	8,005
Net position beginning of year	61,902	57,129	87,108	84,933	149,010	142,062
Change in accounting principle	-	(571)	-	(486)	-	(1,057)
Net position end of year	\$71,806	\$61,902	\$93,243	\$87,108	\$165,049	\$149,010

Governmental activities – Governmental activities increased the City’s net position by \$9.4 million accounting for



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60.6% of the total City’s increase in net position. Key elements of this increase are presented in the summary of changes in net position as shown above. Governmental activity revenue increased by \$3.8 million. The most significant revenue increases were in Sales and Use tax (\$1.4 million) and Capital Grants (\$1.2 million).

The cost of all governmental activities this year was \$13.8 million, \$.3 million lower than last year. However, as shown in the Statement of Activities on pages 15 and 16, the amount that our taxpayers ultimately financed for these activities through City taxes was \$13.4 million because some of the cost was paid by those who directly benefited from the programs (\$.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3.0 million). Of the \$3.0 million, \$1.4 million was for capital purposes.

The following schedule presents the cost of the City’s six largest programs – police, streets, parks, library, fire and recreation – as well as each program’s net operating cost (total operating cost less revenues generated by the activities, excluding capital grants). The net cost shows the financial burden that was placed on the City’s taxpayers for each of these functions.

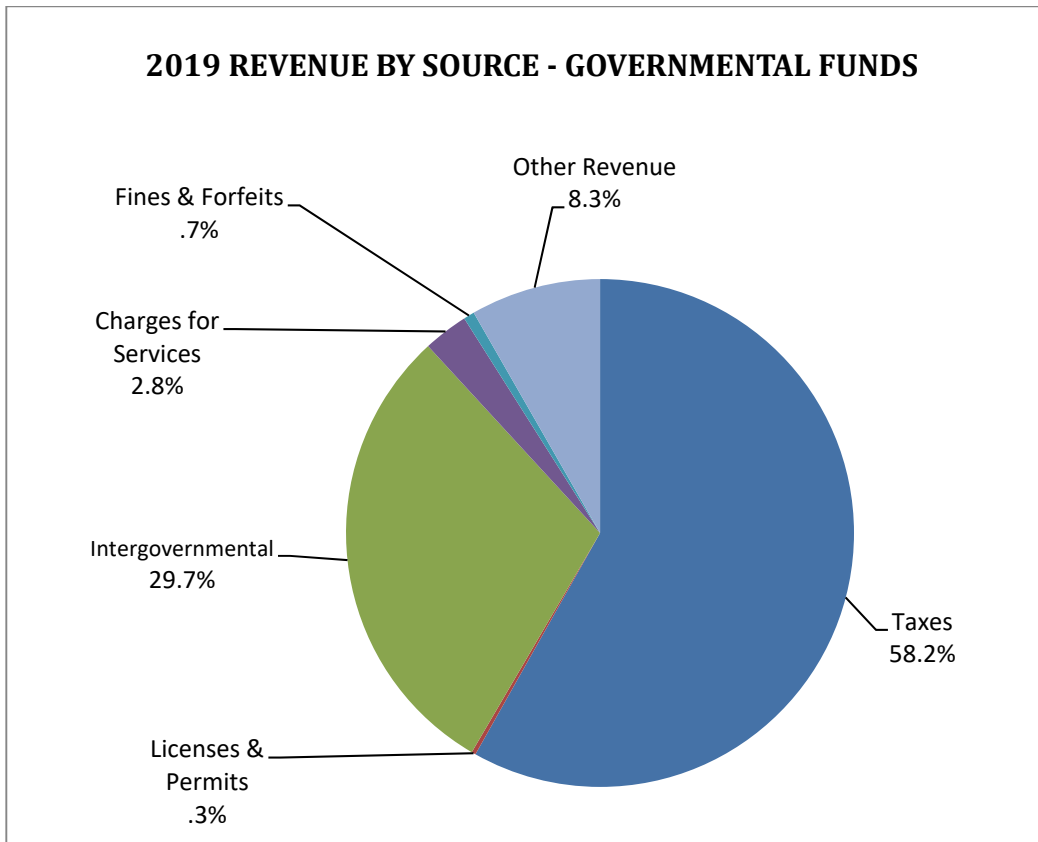
	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
General Government	\$3,023	\$3,174	(\$644)	\$936
Public Safety	4,949	5,153	4,949	5,153
Public Works	1,591	1,515	1,591	1,515
Parks and Recreation	4,190	4,188	4,017	3,940
	<u>\$13,753</u>	<u>\$14,030</u>	<u>\$9,913</u>	<u>\$11,544</u>

Business-type activities - Revenues of the City’s business-type activities increased by 1.1% or \$.4 million and expenses decreased by 8.6% or \$3.0 million (\$32.3 million in 2019 compared to \$35.3 million in 2018). Activity in the electric fund showed 1.6 million decrease in expense largely due to decreased purchased power costs..

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

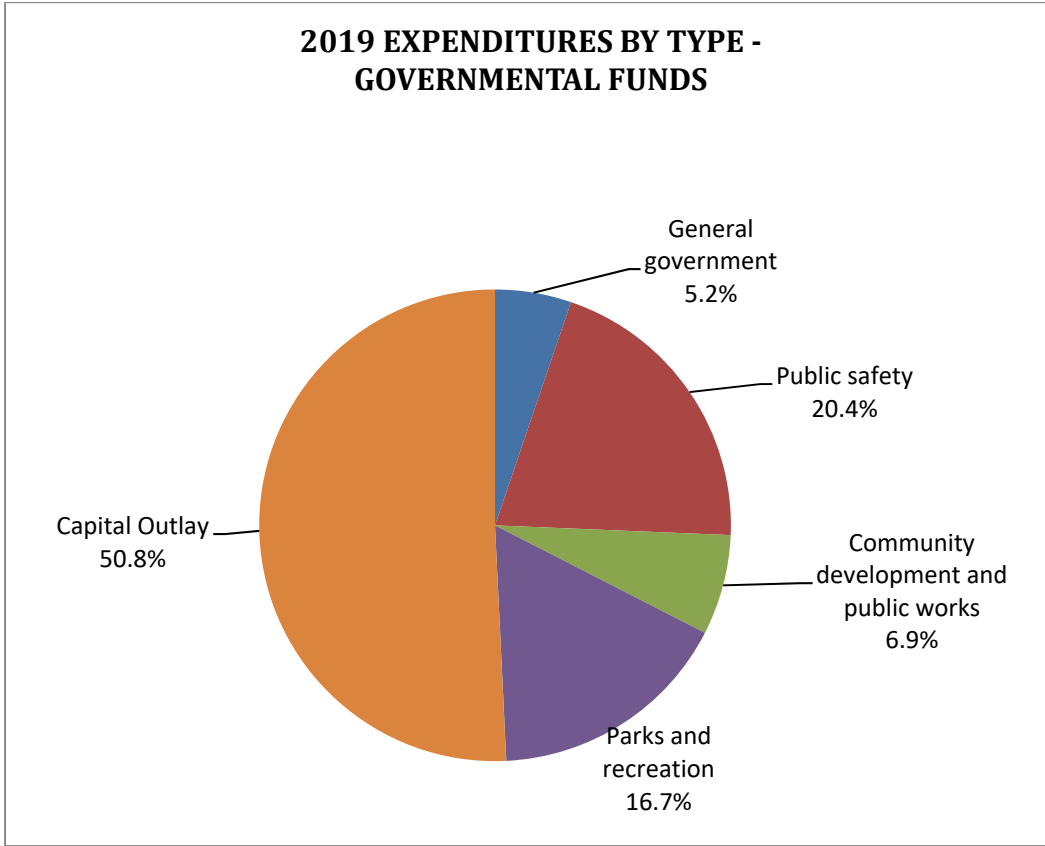
As noted earlier, the City of Fort Morgan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - One of the differences between the governmental activities as reported in the government-wide Statement of Activities on pages 15 and 16 and the individual governmental fund financial statements reported on pages 17 to 20 is the reporting of capital asset acquisitions. For the government-wide financial statements, any new capital assets are capitalized and only depreciation expense for those assets is reported in the Statement of Activities. In the individual governmental fund financial statements, the expenditure for capital asset acquisitions is reported in the Statement of Revenues, Expenditures and Changes in Net Position. Therefore, governmental fund capital asset acquisitions of \$11,348,335 included in capital outlay on page 20 are not reflected as expenses on pages 15 and 16.

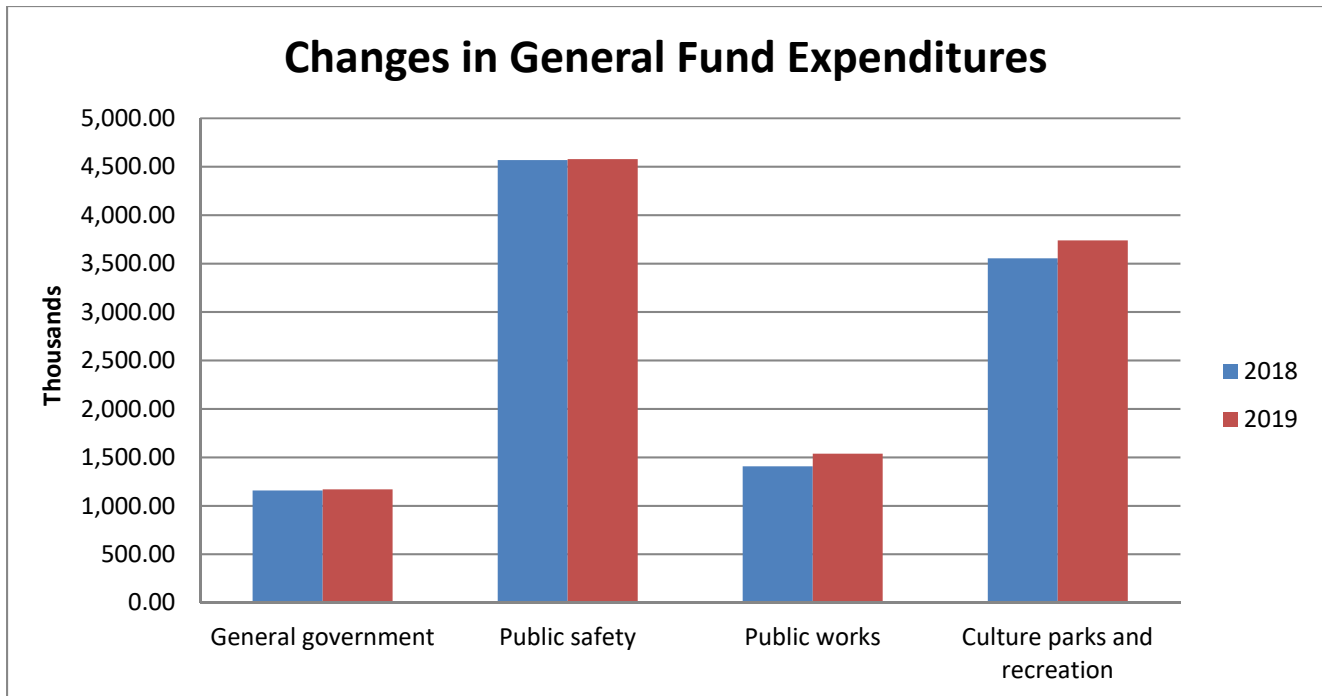


As the City completed the year, its governmental funds (as presented in the Balance Sheet on page 17) reported a combined fund balance of \$29.5 million, which increased \$.8 million from last year's total of \$28.7 million. Included in this year's total change in fund balance is a decrease of \$1 million in the General Fund and an increase of \$2 million in the Capital Improvement Fund.

Governmental fund revenue was up \$3.8 million for 2019. Tax revenues increased \$1.4 million to \$13.5 million.



Governmental expenditures decreased by \$.3 million in 2019. General Fund expenditures increased by \$339 thousand while revenues increased \$782 thousand.



The Capital Improvement Fund expenditures vary by project. During 2019, the City’s capital outlay was \$11.0 million and revenues were approximately \$8.5 million.

Proprietary funds – The City’s proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. See the discussion above of the significant changes in the proprietary funds of the City.

BUDGETARY HIGHLIGHTS

The General Fund’s budget to actual report is presented as required supplementary information on pages 63 and 64. In the General Fund, the actual charges to appropriations (expenditures) were \$457 thousand below the budgeted amounts. The Capital Improvement Fund expenditures were \$94 thousand below budget.

Resources available for appropriation (revenues) in the General Fund for 2019 were 2.9 million above the final budgeted amount. Sales taxes were \$ 1.3 million over budget.



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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the City had \$113.4 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, airport facilities, and electric, gas, water and sewer plants and systems (see below). This amount represents an increase (including additions, deductions, and depreciation) of \$9.0 million, or 8.6% percent, from 2018.

Capital Assets		
December 31, 2019 and 2018		
in thousands		
	2019	2018
Governmental Activities:		
Land	\$ 4,619	\$ 4,632
Infrastructure	38,175	31,318
Golf Course	3,358	3,284
Land Improvements	14,804	13,831
Buildings and Improvements	12,274	12,090
Vehicle and or Mowing Equipment	7,110	6,435
General Equipment	3,584	3,628
Construction in Progress	2,124	724
Total Governmental Capital Assets	86,048	75,942
Accumulated Depreciation	(39,240)	(38,048)
Capital Assets, Net of Depreciation	46,808	37,894
Business-type Activities:		
Electric System	28,319	29,583
Water System	66,665	66,599
Gas System	5,094	5,539
Sewer System	21,698	21,204
Sanitation System	1,575	1,617
Fiber Network System	417	417
Construction in Progress	500	-
Total Business-Type Capital Assets	124,268	124,959
Accumulated Depreciation	(57,587)	(57,655)
Business-type Activities Capital Assets, Net of Depreciation	66,681	67,304

Additional information on the City of Fort Morgan's capital assets can be found in Note 6 on pages 39 and 40 of this report.



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Debt Administration

At year-end, the City had \$10.6 million in bonds, notes and lease purchase obligations outstanding versus \$12.1 million last year, a decrease of 11.9%, as shown on pages 39 through 41.

Summary of Debt						
December 31, 2019 and 2018						
in thousands						
	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenue bonds and notes payable	\$ -	\$ -	\$ 10,645	\$ 12,080	\$ 10,645	\$ 12,080
Lease purchases	-	-	-	-	-	-
Totals	\$ -	\$ -	\$ 10,645	\$ 12,080	\$ 10,645	\$ 12,080

The State limits the amount of general obligation debt that cities can issue to 3 percent of the actual value of the taxable property within the City’s corporate limits. The City currently has no outstanding general obligation debt so the full \$21 million state-imposed limit is available subject to voter approval and authorization.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City’s elected and appointed officials considered many factors when setting the 2019 budget, tax rates, and fees. One of those factors is the economy. The City’s sales and use tax revenues increased by 14.0% in 2019. The effects of the Covid-19 pandemic on the 2020 Budget are still being evaluated. Lowered sales tax revenue and lowered utilities collections are expected. As of yet, Federal disaster assistance does not apply to forgone revenues.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City Treasurer’s Office at City of Fort Morgan, 710 E. Railroad Ave. Fort Morgan, CO 80701.

Basic Financial Statements

City of Fort Morgan, Colorado

Statement of Net Position

December 31, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash, cash equivalents and investments	\$ 33,183,037	\$ 46,834,494	\$ 80,017,531
Accounts and taxes receivable	5,371,266	4,493,935	9,865,201
Internal balances	(81,148)	81,148	-
Inventories	66,602	994,967	1,061,569
Prepaid items	79,003	36,106	115,109
Restricted cash, cash equivalents and investments	344,701	-	344,701
Capital assets, not being depreciated	6,743,542	500,000	7,243,542
Capital assets, being depreciated, net	40,064,572	66,180,721	106,245,293
Total assets	85,771,575	119,121,371	204,892,946
Deferred outflows of resources			
Deferred outflows of resources relating to pensions	2,255,759	1,378,350	3,634,109
Deferred outflows of resources relating to OPEB	78,381	7,863	86,244
Total deferred outflows of resources	2,334,140	1,386,213	3,720,353
Liabilities			
Accounts payable	2,008,006	2,384,310	4,392,316
Customer deposits	24,927	68,150	93,077
Accrued expenses	664,718	73,637	738,355
Accrued interest payable	-	28,228	28,228
Noncurrent liabilities:			
Compensated absences payable	305,192	216,155	521,347
Due within one year	-	920,000	920,000
Due in more than one year	-	9,725,000	9,725,000
Net pension liability	9,940,092	5,714,422	15,654,514
Net OPEB liability	619,126	479,589	1,098,715
Total liabilities	13,562,061	19,609,491	33,171,552
Deferred inflows of resources			
Deferred inflows of resources relating to pensions	60,168	-	60,168
Deferred inflows of resources relating to OPEB	8,262	730	8,992
Unearned revenue	2,668,582	7,654,115	10,322,697
Total deferred inflows of resources	2,737,012	7,654,845	10,391,857
Net position			
Net investment in capital assets	46,808,114	56,035,721	102,843,835
Restricted	5,621,770	-	5,621,770
Unrestricted	19,376,758	37,207,527	56,584,285
Total net position	\$ 71,806,642	\$ 93,243,248	\$ 165,049,890

The accompanying notes are an integral part of these financial statements.

City of Fort Morgan, Colorado

Statement of Activities

Year Ended December 31, 2019

Functions/programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Governmental activities:			
General government	\$ 2,971,811	\$ 884,319	\$ 1,395,795
Public safety	4,749,476	-	-
Community development and public works	1,524,043	-	-
Parks and recreation and golf	4,027,688	-	128,114
Interest on long-term debt	3,599	-	-
Total governmental activities	13,276,617	884,319	1,523,909
Business-type activities:			
Electric	18,883,255	19,076,795	-
Water	6,325,651	9,600,551	-
Gas	3,955,532	4,453,329	-
Waste water	2,153,731	2,229,183	-
Sanitation	1,075,778	1,235,838	-
Fiber Network	10,025	-	-
Total business-type activities	32,403,972	36,595,696	-
Total primary government	\$ 45,680,589	\$ 37,480,015	\$ 1,523,909
General revenues			
Property taxes			
Specific ownership taxes			
Sales and use taxes			
Franchise taxes			
Intergovernmental in lieu of taxes			
Other revenues			
Earnings on investments			
Interest on long-term receivable			
Loss on disposal of capital assets			
Total general revenues			
Change in net position			
Net position at beginning of year			
Net position at end of year			

Net (Expense) Revenue and Change in Net Position			
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 1,386,345	\$ 694,648	\$ -	\$ 694,648
-	(4,749,476)	-	(4,749,476)
-	(1,524,043)	-	(1,524,043)
44,693	(3,854,881)	-	(3,854,881)
-	(3,599)	-	(3,599)
1,431,038	(9,437,351)	-	(9,437,351)
-	-	193,540	193,540
32,780	-	3,307,680	3,307,680
-	-	497,797	497,797
15,450	-	90,902	90,902
-	-	160,060	160,060
-	-	(10,025)	(10,025)
48,230	-	4,239,954	4,239,954
\$ 1,479,268	(9,437,351)	4,239,954	(5,197,397)
	1,669,974	-	1,669,974
	177,087	-	177,087
	11,538,434	-	11,538,434
	87,679	-	87,679
	3,933,590	-	3,933,590
	1,107,479	516,533	1,624,012
	845,749	1,329,953	2,175,702
	-	48,783	48,783
	(18,115)	-	(18,115)
	19,341,877	1,895,269	21,237,146
	9,904,526	6,135,223	16,039,749
	61,902,116	87,108,025	149,010,141
\$ 71,806,642	\$ 93,243,248	\$ 165,049,890	

The accompanying notes are an integral part of these financial statements.

City of Fort Morgan, Colorado

Balance Sheet

Governmental Funds

December 31, 2019

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash, cash equivalents and investments	\$ 23,999,477	\$ 4,101,952	\$ 407,521	\$ 28,508,950
Restricted cash, cash equivalents and investments	246,658	55,041	43,002	344,701
Receivables	3,303,533	2,064,024	-	5,367,557
Inventories	66,602	-	-	66,602
Prepaid items	66,452	-	-	66,452
Total assets	\$ 27,682,722	\$ 6,221,017	\$ 450,523	\$ 34,354,262
Liabilities, deferred inflows of resources and fund balances				
Liabilities				
Accounts payable	\$ 410,759	\$ 1,502,675	\$ -	\$ 1,913,434
Interfund advances payable	-	81,148	-	81,148
Accrued expenses	-	52,042	-	52,042
Accrued payroll expenses	135,180	-	-	135,180
Customer deposits	24,927	-	-	24,927
Other liabilities	20,616	-	-	20,616
Total liabilities	591,482	1,635,865	-	2,227,347
Deferred inflows of resources				
Unearned revenue	2,318,582	350,000	-	2,668,582
Total deferred inflows of resources	2,318,582	350,000	-	2,668,582
Fund balances				
Nonspendable	133,054	-	-	133,054
Restricted	936,095	4,235,152	450,523	5,621,770
Unassigned	23,703,509	-	-	23,703,509
Total fund balances	24,772,658	4,235,152	450,523	29,458,333
Total liabilities, deferred inflows of resources and fund balances	\$ 27,682,722	\$ 6,221,017	\$ 450,523	\$ 34,354,262

The accompanying notes are an integral part of these financial statements.

City of Fort Morgan, Colorado
Reconciliation of the Governmental Funds
Balance Sheet with the Government-wide Statement of Net Position
December 31, 2019

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances of governmental funds	\$ 29,458,333
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Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental fund financial statements.

Capital assets	\$ 86,047,824	
Less: accumulated depreciation	<u>(39,239,710)</u>	46,808,114

Pension and OPEB liabilities and related deferred inflows and deferred outflows of resources are not current financial resources and, therefore, are not reported in the fund financial statements.

Net pension liability	\$ (9,940,092)	
Deferred outflows of resources relating to pensions	2,255,759	
Deferred inflows of resources relating to pensions	(60,168)	
Net OPEB liability	(619,126)	
Deferred outflows of resources relating to OPEB	78,381	
Deferred inflows of resources relating to OPEB	<u>(8,262)</u>	(8,293,508)

Internal service funds are collapsed into governmental activities	4,138,895
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Long-term liabilities are not due and payable from current financial resources, and therefore, are not reported as liabilities on the fund financial statements. Long-term liabilities consist of compensated absences payable. (305,192)

Total net position of governmental activities	\$ 71,806,642
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The accompanying notes are an integral part of these financial statements.

City of Fort Morgan, Colorado
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2019

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 7,732,649	\$ 5,740,525	\$ -	\$ 13,473,174
Licenses and permits	61,983	-	-	61,983
Intergovernmental	4,896,606	1,819,124	172,807	6,888,537
Charges for services	660,712	-	-	660,712
Fines and forfeitures	161,624	-	-	161,624
Miscellaneous	280,788	813,215	-	1,094,003
Earnings on investments	731,778	92,648	35	824,461
Total revenues	14,526,140	8,465,512	172,842	23,164,494
Expenditures				
Current:				
General government	1,169,873	-	-	1,169,873
Public safety	4,578,204	-	-	4,578,204
Community development and public works	1,537,654	-	-	1,537,654
Parks and recreation and golf	3,739,388	-	-	3,739,388
Debt service:				
Interest	-	3,599	-	3,599
Capital outlay	-	11,022,278	343,553	11,365,831
Total expenditures	11,025,119	11,025,877	343,553	22,394,549
Excess (deficiency) of revenues over expenditures	3,501,021	(2,560,365)	(170,711)	769,945
Other financing sources				
Transfers in	-	4,500,000	-	4,500,000
Transfers out	(4,500,000)	-	-	(4,500,000)
Total other financing sources	(4,500,000)	4,500,000	-	-
Net change in fund balance	(998,979)	1,939,635	(170,711)	769,945
Fund balances at beginning of year	25,771,637	2,295,517	621,234	28,688,388
Fund balances at end of year	\$ 24,772,658	\$ 4,235,152	\$ 450,523	\$ 29,458,333

The accompanying notes are an integral part of these financial statements.

City of Fort Morgan, Colorado
Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures and Changes in Fund Balances
with the Government-wide Statement of Activities
Year Ended December 31, 2019

Amounts reported for governmental activities in the statement of activities are different because:

Total net change in fund balance - governmental funds.	\$	769,945
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Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay exceeded depreciation during the period.

Capital outlay	\$	11,348,335	
Net book value of capital assets disposed		(18,115)	
Depreciation expense		<u>(2,415,711)</u>	8,914,509

Internal service funds are collapsed into governmental activities.		(398,513)
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Increase in accrued compensated absences liability reflected as an expense on the statement of activities and not reflected as an expense on the governmental fund statement of revenues, expenditures and changes in fund balances.		(72,984)
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Changes in the City's net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the City's pension and OPEB plans for the current year do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental fund financial statements.		<u>691,569</u>
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Change in net position of governmental activities	\$	<u>9,904,526</u>
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The accompanying notes are an integral part of these financial statements.

City of Fort Morgan, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2019

	Electric Fund	Water Fund	Gas Fund	Waste Water Fund	Other Enterprise Funds	Total Enterprise Funds	Govt. Activities - Int. Svc. Fund
Assets							
Current assets							
Cash, cash equivalents and investments	\$ 15,149,125	\$ 17,860,626	\$ 5,521,776	\$ 5,946,612	\$ 2,356,355	\$ 46,834,494	\$ 4,674,087
Receivables	2,348,705	935,572	816,807	254,503	138,348	4,493,935	3,709
Prepaid items	17,235	10,051	2,374	6,446	-	36,106	12,551
Inventories	618,125	248,800	128,042	-	-	994,967	-
Interfund advances receivable	81,148	-	-	-	-	81,148	-
Total current assets	18,214,338	19,055,049	6,468,999	6,207,561	2,494,703	52,440,650	4,690,347
Noncurrent assets							
Capital assets, net of accumulated depreciation	11,982,858	42,744,255	1,444,788	10,027,208	481,612	66,680,721	-
Total noncurrent assets	11,982,858	42,744,255	1,444,788	10,027,208	481,612	66,680,721	-
Total assets	30,197,196	61,799,304	7,913,787	16,234,769	2,976,315	119,121,371	4,690,347
Deferred outflows of resources							
Deferred outflows of resources relating to pensions	687,759	240,982	171,226	200,226	78,157	1,378,350	-
Deferred outflows of resources relating to OPEB	3,923	1,374	976	1,142	448	7,863	-
Total deferred outflows of resources	691,682	242,356	172,202	201,368	78,605	1,386,213	-
Liabilities and net position							
Current liabilities							
Accounts payable	1,415,646	520,362	317,391	97,057	33,854	2,384,310	94,572
Accrued expenses	35,819	13,873	9,157	10,516	4,272	73,637	456,880
Customer deposits	68,150	-	-	-	-	68,150	-
Accrued interest payable	-	28,228	-	-	-	28,228	-
Current portion of long-term debt	-	920,000	-	-	-	920,000	-
Total current liabilities	1,519,615	1,482,463	326,548	107,573	38,126	3,474,325	551,452
Noncurrent liabilities							
Compensated absences payable	110,691	37,353	29,395	24,996	13,720	216,155	-
Bonds and notes payable	-	9,725,000	-	-	-	9,725,000	-
Net pension liability	2,851,338	999,074	709,876	830,106	324,028	5,714,422	-
Net OPEB liability	239,300	83,832	59,550	69,659	27,248	479,589	-
Total noncurrent liabilities	3,201,329	10,845,259	798,821	924,761	364,996	16,135,166	-
Total liabilities	4,720,944	12,327,722	1,125,369	1,032,334	403,122	19,609,491	551,452
Deferred inflows of resources							
Unearned revenue	7,643,851	-	10,264	-	-	7,654,115	-
Deferred inflows of resources relating to OPEB	364	128	91	106	41	730	-
Total deferred inflows of resources	7,644,215	128	10,355	106	41	7,654,845	-
Net position							
Net investment in capital assets	11,982,858	32,099,255	1,444,788	10,027,208	481,612	56,035,721	-
Unrestricted	6,540,861	17,614,555	5,505,477	5,376,489	2,170,145	37,207,527	4,138,895
Total net position	\$ 18,523,719	\$ 49,713,810	\$ 6,950,265	\$ 15,403,697	\$ 2,651,757	\$ 93,243,248	\$ 4,138,895

The accompanying notes are an integral part of these financial statements.

City of Fort Morgan, Colorado
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2019

	Electric Fund	Water Fund	Gas Fund	Waste Water Fund	Other Enterprise Funds	Total Enterprise Funds	Govt. Activities - Int. Svc. Fund
Operating revenues							
Charges for services	\$ 19,076,795	\$ 9,600,551	\$ 4,453,329	\$ 2,229,183	\$ 1,235,838	\$ 36,595,696	\$ 3,532,755
Total operating revenues	19,076,795	9,600,551	4,453,329	2,229,183	1,235,838	36,595,696	3,532,755
Operating expenses							
Transmission, distribution and collection	1,896,722	1,215,528	616,724	248,844	730,585	4,708,403	-
Commodities	12,687,191	-	2,031,282	-	-	14,718,473	-
Self insurance premiums	-	-	-	-	-	-	1,273,817
Self insurance claims	-	-	-	-	-	-	2,570,550
General administration	390,980	491,275	457,409	356,134	208,562	1,904,360	121,665
Treatment	-	2,923,299	-	802,741	-	3,726,040	-
In lieu of fees	3,054,708	-	710,949	106,134	61,799	3,933,590	-
Depreciation expense	853,654	1,336,993	139,168	639,878	84,857	3,054,550	-
Total operating expenses	18,883,255	5,967,095	3,955,532	2,153,731	1,085,803	32,045,416	3,966,032
Operating income (loss)	193,540	3,633,456	497,797	75,452	150,035	4,550,280	(433,277)
Nonoperating revenues (expenses)							
Earnings on investments	476,878	463,195	181,639	140,710	67,531	1,329,953	21,288
Interest on long-term receivable	-	19,285	-	29,498	-	48,783	-
Rents	28,680	-	-	-	-	28,680	-
Other revenues	244,720	130,280	48,461	63,392	1,000	487,853	13,476
Interest expense	-	(358,556)	-	-	-	(358,556)	-
Total nonoperating revenues (expenses)	750,278	254,204	230,100	233,600	68,531	1,536,713	34,764
Income (loss) before contributions	943,818	3,887,660	727,897	309,052	218,566	6,086,993	(398,513)
Capital contributions	-	32,780	-	15,450	-	48,230	-
Changes in net position	943,818	3,920,440	727,897	324,502	218,566	6,135,223	(398,513)
Net position at beginning of year	17,579,901	45,793,370	6,222,368	15,079,195	2,433,191	87,108,025	4,537,408
Net position at end of year	\$ 18,523,719	\$ 49,713,810	\$ 6,950,265	\$ 15,403,697	\$ 2,651,757	\$ 93,243,248	\$ 4,138,895

The accompanying notes are an integral part of these financial statements.

City of Fort Morgan, Colorado
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2019

	Electric Fund	Water Fund	Gas Fund
Cash flows from operating activities			
Cash received from customers	\$ 20,692,331	\$ 9,489,738	\$ 4,392,522
Cash payments to suppliers	(15,677,006)	(3,225,392)	(3,154,327)
Cash payments to employees	(2,819,761)	(1,089,007)	(736,346)
Net cash flows from operating activities	2,195,564	5,175,339	501,849
Cash flows from non-capital financing activities			
Rents	28,680	-	-
Other income	244,720	130,280	48,461
Transfers	-	-	-
Interfund balances	38,810	-	-
Net cash flows from non-capital financing activities	312,210	130,280	48,461
Cash flows from capital and related financing activities			
Capital grants and contributions	-	32,780	-
Acquisition of capital assets	(393,618)	(1,123,607)	(161,079)
Principal paid on long-term debt	(17,488)	(1,418,445)	-
Interest paid on long-term debt	-	(359,671)	-
Net cash flows from capital and related financing activities	(411,106)	(2,868,943)	(161,079)
Cash flows from investing activities			
Principal received on long-term receivable	-	85,558	-
Interest received	476,878	482,480	181,639
Net cash flows from investing activities	476,878	568,038	181,639
Net change in cash and cash equivalents	2,573,546	3,004,714	570,870
Cash, cash equivalents and investments at beginning of year	12,575,579	14,855,912	4,950,906
Cash, cash equivalents and investments at end of year	\$ 15,149,125	\$ 17,860,626	\$ 5,521,776
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ 193,540	\$ 3,633,456	\$ 497,797
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	853,654	1,336,993	139,168
(Increase) decrease in operating assets and deferred outflows of resources:			
Accounts receivable	249,096	(110,813)	(27,873)
Prepaid items	(202)	1,505	(224)
Inventories	47,995	46,509	180,634
Deferred outflows of resources	(278,745)	(99,171)	(68,632)
Increase (decrease) in operating liabilities and deferred inflows of resources:			
Accounts payable and accrued expenses	40,201	448,400	(109,426)
Customer deposits	(3,343)	-	-
Compensated absences payable	36,340	15,669	7,530
Net pension liability	238,798	93,183	54,615
Net OPEB liability	2,373	1,678	126
Deferred inflows of resources	(553,926)	(192,070)	(138,932)
Unearned revenues	1,369,783	-	(32,934)
Net cash flows from operating activities	\$ 2,195,564	\$ 5,175,339	\$ 501,849

Continued

	Waste Water Fund	Other Enterprise Funds	Total Enterprise Funds	Govt. Activities - Int. Svc. Fund
\$	2,281,485	\$ 1,233,613	\$ 38,089,689	\$ 3,531,451
	(793,062)	(780,240)	(23,630,027)	(3,609,251)
	(875,358)	(290,578)	(5,811,050)	-
	613,065	162,795	8,648,612	(77,800)
	-	-	28,680	-
	63,392	1,000	487,853	13,476
	-	-	-	-
	-	-	38,810	-
	63,392	1,000	555,343	13,476
	15,450	-	48,230	-
	(753,329)	-	(2,431,633)	-
	-	-	(1,435,933)	-
	-	-	(359,671)	-
	(737,879)	-	(4,179,007)	-
	130,865	-	216,423	-
	170,208	67,531	1,378,736	21,288
	301,073	67,531	1,595,159	21,288
	239,651	231,326	6,620,107	(43,036)
	5,706,961	2,125,029	40,214,387	4,717,123
\$	5,946,612	\$ 2,356,355	\$ 46,834,494	\$ 4,674,087
\$	75,452	\$ 150,035	\$ 4,550,280	\$ (433,277)
	639,878	84,857	3,054,550	-
	52,302	(2,225)	160,487	(1,304)
	140	104	1,323	9,104
	-	-	275,138	-
	(75,973)	(29,999)	(552,520)	-
	51,300	5,654	436,129	347,677
	-	-	(3,343)	-
	3,695	3,699	66,933	-
	36,770	16,513	439,879	-
	(2,287)	(640)	1,250	-
	(168,212)	(65,203)	(1,118,343)	-
	-	-	1,336,849	-
\$	613,065	\$ 162,795	\$ 8,648,612	\$ (77,800)

The accompanying notes are an integral part of these financial statements.

City of Fort Morgan, Colorado
Statement of Fiduciary Net Position (Deficit)

December 31, 2019

	Cemetery Perpetual Care Fund	Riverview Commons GID Fund
Assets		
Restricted cash, cash equivalents and investments	\$ 703,430	\$ -
Accrued interest receivable	1,204	-
Total assets	704,634	-
Liabilities		
Due to the General Fund	-	93,522
Total liabilities	-	93,522
Fiduciary net position (deficit)	\$ 704,634	\$ (93,522)

The accompanying notes are an integral part of these financial statements.

City of Fort Morgan, Colorado
Statement of Changes in Fiduciary Net Position (Deficit)

Year Ended December 31, 2019

	Cemetery Perpetual Care Fund	Riverview Commons GID Fund
Additions		
Taxes	\$ -	\$ 29,003
Charges for services	10,091	-
Earnings on investments	10,186	-
Total additions	20,277	29,003
Deductions		
Community development and public works	-	29,003
Total deductions	-	29,003
Change in fiduciary net position	20,277	-
Fiduciary net position (deficit) beginning of year	684,357	(93,522)
Fiduciary net position (deficit) end of year	\$ 704,634	\$ (93,522)

The accompanying notes are an integral part of these financial statements.

City of Fort Morgan, Colorado
Notes to Financial Statements
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1. Summary of Significant Accounting Policies

The financial statements of the City of Fort Morgan, Colorado (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“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 more significant of the City’s accounting policies are described below.

Reporting Entity

The City was incorporated in 1887 and adopted its Home Rule Charter during 1914. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety; highways and streets; sanitation; health and social services; culture - recreation; education; public improvements; planning and zoning; and general administrative services. The City’s basic financial statements include the accounts of all City operations. As required by GAAP, these financial statements present the activities of the City, which is legally separate and financially independent of other state and local governments.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit’s governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government or (3) a jointly appointed board.

Based on the application of these criteria, there are no component units included in the City’s reporting entity.

Fund Accounting

The City uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types.”

Governmental funds are used to account for all, or most of a government’s general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the capital projects fund.

The following are the City’s major governmental funds:

General Fund - The General Fund (a major fund) is the City’s general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include local property taxes, sales tax, franchise tax and other

City of Fort Morgan, Colorado
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intergovernmental revenues. Expenditures include all costs associated with the daily operations of general government, public safety, public works, parks and recreation and community development.

Capital Improvement Fund - This fund accounts for the sales tax revenues used to fund the City's capital improvement projects. It is a major special revenue fund.

Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as enterprise funds or internal service funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City's major enterprise funds include the Electric, Water, Gas, and Waste Water funds. The internal service fund accounts for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City has one internal service fund, the Self Insurance Fund.

The City has two fiduciary funds. The Cemetery Perpetual Care Fund accounts for nonexpendable corpus amounts, of which the investment earnings are transferred to the General Fund to assist in covering operating costs. In 2006, the City created a General Improvement District Fund (the "District") to account for ongoing improvements related to the Riverview Commons development project (reflected as the Riverview Commons GID Fund in the accompanying financial statements). The City is a special improvement district which has issued \$2,035,000 of special improvement bonds to defray a portion of the costs of the public improvements needed to serve the residential portion of the project. The developer will complete the various improvements, be reimbursed through the bond proceeds held in trust by the City, and then will convey these improvements to the City. The issued bonds bear interest at 6.5% and mature in 2026. The City is not contingently liable for the debt.

Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations, with a brief explanation, to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

City of Fort Morgan, Colorado
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Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Cigarette taxes, sales taxes, auto use taxes, taxpayer-assessed taxes, earnings on investments and charges for services are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operations of the fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting.

Revenues - Exchange and Non-Exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, intergovernmental revenues and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, intergovernmental revenues and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: sales taxes and other intergovernmental revenues.

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Unearned Revenue

Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the deferred inflow of resources for unearned revenue is removed and revenue is recognized.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Accounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. The principal operating revenues of the government’s enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgets and Budgetary Accounting

An annual budget and appropriation ordinance is adopted by the City Council in accordance with the City Charter. The budget is prepared on a basis consistent with GAAP for all governmental and proprietary funds, except that for proprietary funds, principal payments of long-term liabilities and purchases of capital assets are budgeted as expenditures, and the issuance of long-term liabilities are budgeted as other financing sources.

On, or about October 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Also, public hearings are conducted at a special meeting and at regular City Council meetings to obtain taxpayer comments. Prior to December 15, the budget is legally adopted by the City Council.

Colorado law requires that all funds have legally adopted budgets and total expenditures for each fund cannot exceed the amount appropriated. The fund level of classification is the level of classification at which expenditures may not legally exceed appropriations.

All appropriations lapse at the end of each fiscal year. Appropriations for a fund may be increased provided they are offset by unanticipated resources.

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Budgeted expenditures reported in the accompanying financial statements are as originally adopted and as amended by the City Council throughout the year. The following is a summary of the original budget, total revisions and revised budget for those funds with amended budgets for the year ended December 31, 2019:

	Original Budget	Total Revisions	Revised Budget
Governmental funds:			
General Fund	\$ 11,492,115	\$ 4,490,405	\$ 15,982,520
Capital Improvement Fund	8,519,703	2,600,000	11,119,703
Police Forfeiture Fund	-	-	-
Conservation Trust Fund	369,000	-	369,000
Internal service fund:			
Self Insurance Fund	4,129,710	-	4,129,710
Enterprise funds:			
Electric Fund	22,620,470	-	22,620,470
Water Fund	8,796,185	-	8,796,185
Gas Fund	4,693,451	-	4,693,451
Waste Water Fund	2,681,713	-	2,681,713
Sanitation Fund	1,343,283	-	1,343,283
Fiber Network Fund	-	-	-
Fiduciary Fund:			
Cemetery Perpetual Care Fund	3,000	-	3,000
Riverview GID Fund	37,500	-	37,500
Total funds	\$ 64,686,130	\$ 7,090,405	\$ 71,776,535

Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments include cash on hand, demand deposits, certificates of deposit, participation in local government investment pools, government securities, money markets, and corporate securities. All cash equivalents have an original maturity date of less than three months. Cash balances from different funds are combined and invested to the extent possible in local government investment pools.

To improve cash management, cash received by the City is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "Cash and Cash Equivalents" in the financial statements. Investments of the City's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

Restricted Cash

The amounts restricted are in compliance with various debt requirements associated with the City's long-term debt.

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Property Taxes

Property taxes are levied prior to December 31 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on the last day of February and June 15. The County Treasurer's office collects property taxes and remits to the City on a monthly basis. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflows of resources is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflows of resources are recognized as revenue and the receivable is reduced.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Short-Term Inter-Fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if any, are classified as internal balances on the government-wide statement of net position and classified as due from other funds or due to other funds on the fund financial statements.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Because these assets do not represent current financial resources, there is a corresponding nonspendable fund balance in the governmental funds.

Inventories

Inventories are valued at cost, using the first-in, first-out method. Because these assets do not represent current financial resources, there is a corresponding nonspendable fund balance in the governmental funds.

Capital Assets

Capital assets, which include land, buildings and other improvements, infrastructure, machinery and equipment, and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, and in the proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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 assets lives are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Description	Life
Buildings and other improvements	30 Years
Infrastructure	20 Years
Vehicles and equipment	5 - 10 Years
Utility systems	10 - 40 Years

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Compensated Absences Payable

In accordance with the provisions of the GASB Statement No. 16, *Accounting for Compensated Absences*, vested or accumulated vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation pay that are not expected to be liquidated with expendable available financial resources are reported on the government-wide financial statements. Compensated absences are reported in governmental funds only if they have matured.

Accrued Liabilities and Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond premiums are deferred and amortized over the life of the bonds using the effective interest rate method as principal is paid. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are recognized as an expenditure/expense during the period of issuance.

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. Payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources for pension and OPEB-related amounts. See Notes 8 and 9 for additional information.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City reports a deferred inflow of resource relating to property taxes. In addition, the City reports deferred inflows of resources for pension and OPEB-related amounts. See Notes 8 and 9 for additional information.

Fund Balance and Net Position

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

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Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the City, which is not restricted for any project or other purpose. A deficit will require future funding.

In the governmental fund financial statements, fund balances are classified in five separate categories. The categories, and their general meanings, are as follows:

Nonspendable - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through resolutions approved by the City Council.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Council has authority to assign amounts for specific purposes.

Unassigned - all other spendable amounts. Only the General Fund reports a positive unassigned fund balance. In other governmental funds, other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to other purposes, the funds would report a negative unassigned fund balance; however, any amount reported as assigned fund balance would have to be eliminated before a negative unassigned fund balance could be reported.

As of December 31, 2019, fund balances were composed of the following:

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total
Nonspendable:				
Inventories	\$ 66,602	\$ -	\$ -	66,602
Prepaid items	66,452	-	-	66,452
Restricted:				
Emergency reserve	689,437	-	-	689,437
Donations and memorials	246,658	-	-	246,658
Parks and recreation	-	-	407,521	407,521
Public safety	-	-	43,002	43,002
Capital improvements	-	4,235,152	-	4,235,152
Unassigned:	23,703,509	-	-	23,703,509
Total	\$ 24,772,658	\$ 4,235,152	\$ 450,523	\$ 29,458,333

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the City's policy to use restricted resources first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City has provided otherwise in its commitment or assignment actions.

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Contribution of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources to be used for capital acquisition and construction.

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions are reported as transfers.

Contraband Forfeitures

The Colorado Contraband Forfeiture Act allows law enforcement agencies to retain proceeds from the seizure of contraband. These proceeds are not subject to appropriation in the budget process. Cash proceeds are recorded in the Police Forfeiture Fund. Property and equipment seized are recorded as governmental capital assets.

Pensions

The City participates in the Local Government Division Trust Fund (“LGDTF”), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In addition, the City contributes to a Volunteer Pension Plan and Old Hire Pension Plan; agent multiple-employer plans administered by the Fire and Police Pension Association of Colorado (“FPPA”).

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the plans have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications To the Public Employees’ Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the LGDTF that were in effect on the LGDTF’s December 31, 2018 measurement date are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employee contribution rates for the LGDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

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- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA DC Plan to members of the Local Government Division hired on or after January 1, 2019. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the LGDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

Other Post Employment Benefits (“OPEB”)

The City participates in the Health Care Trust Fund (“HCTF”), a cost-sharing multiple-employer defined benefit OPEB fund administered by PERA. The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and could be material.

2. Cash, Cash Equivalents and Investments

The following is a summary of the City’s cash, cash equivalents and investments, including restricted cash, on December 31, 2019:

Cash on hand	\$	8,508
Cash with county treasurer		16,850
Cash in financial institutions		27,020,771
Investments		54,019,533
Total	\$	81,065,662

The above amounts are classified in the statement of net position as follows:

Cash, cash equivalents and investments per Statement of Net Position:		
Government-wide financial statements:		
Cash, cash equivalents, and investments	\$	80,017,531
Restricted cash, cash equivalents, and investments		344,701
Fiduciary fund statements:		
Restricted cash, cash equivalents, and investments		703,430
Total	\$	81,065,662

Custodial Credit Risk - Deposits

This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits. The City’s deposit policy is in accordance with Colorado Revised Statutes (“CRS”) 11-10.5-101, the Colorado Public Deposit Protection Act (“PDPA”), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public

City of Fort Morgan, Colorado
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depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance limits must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is maintained by another institution, or held in trust for all of the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2019, the City had deposits with financial institutions with a carrying amount of \$27,020,771. The bank balances with the financial institutions were \$27,052,972 of which \$1,000,000 was covered by federal depository insurance. The remaining balance of \$26,052,972 was collateralized with securities held by the financial institutions' agents but not in the City's name.

Investments

At December 31, 2019, the City had the following investments:

	S & P Rating	Fair Value	Weighted Ave. Maturity Date (in days)	Concentration of Credit Risk
Certificates of Deposit	N/R	\$ 1,852,288	N/A	3.4%
Commercial Paper	A-1	447,965	84	0.8%
U.S. Treasury	Aaa	25,231,158	832	46.7%
Municipal Bonds	AA	3,053,031	712	5.7%
FNMA	AA+	2,543,113	893	4.7%
FHLMC	AA+	1,722,091	990	3.2%
FHLB	AA+	2,742,149	969	5.1%
Corporate Notes	AA-/AAA	3,598,434	690	6.7%
PFM Term Money Market	AAAm/N/R	12,843,799	N/A	23.7%
Total		\$ 54,034,028		

The City's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment risk.

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The City's investment balances at fair value hierarchy are as follows:

Investments	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 1,852,288	\$ -	\$ 1,852,288
Commercial Paper	-	447,965	-	447,965
U.S. Treasury	-	25,231,158	-	25,231,158
Municipal Bonds	-	3,053,031	-	3,053,031
FNMA	-	2,543,113	-	2,543,113
FHLMC	-	1,722,091	-	1,722,091
FHLB	-	2,742,149	-	2,742,149
Corporate Securities	3,598,434	-	-	3,598,434
Money Market Funds - CSIP - measured at net asset value				12,843,799
Total	\$ 3,598,434	\$ 37,591,795	\$ -	\$ 54,034,028

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a specific policy for custodial credit risk. As of December 31, 2019, the City had no investments exposed to custodial credit risk.

Credit Risk - Investments

State statutes and the City's investment policies authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school, authority, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

Interest Rate Risk

Colorado Revised Statutes and the City's investment policies limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value fluctuations arising from changing interest rates.

Money Market Funds - CSIP

As of December 31, 2019, the City invested in PFM Funds Prime Series, Colorado Investors Class, a money market mutual fund (marketed as the Colorado Statewide Investment Program or CSIP). The Prime Series is a separate investment portfolio of PFM Funds (the "Trust"). The Trust is an open-ended, diversified, management investment company registered under the Investment Company Act of 1940. The PFM Funds Prime Series invests in obligations of the United States Government and its agencies, high quality debt obligations of U.S. companies and obligations of financial institutions and is rated AAAM by Standard & Poor's. PFM Asset Management, LLC serves as the investment advisor, administrator and transfer agent. Shares of the Fund are distributed by PFM Fund Distributors, Inc., member Financial Industry Regulatory Authority ("FINRA"). U.S. Bank N.A serves as the custodian and acts as safekeeping agent. These money market funds seek to earn the highest income consistent with preserving principal and maintaining liquidity, and to maintain a stable \$1.00 net asset value.

3. Interfund Transactions

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Contributed capital between the governmental funds and proprietary funds is shown within the transfer line for financial statement presentation.

City of Fort Morgan, Colorado
Notes to Financial Statements
December 31, 2019

During the year ended December 31, 2019, the General Fund transferred \$4,500,000 to the Capital Improvement Fund.

4. Receivables

Receivables at December 31, 2019, consisted of the following:

	Governmental Funds	Proprietary Funds	Internal Service Fund	Fiduciary Funds	Total
Taxes	\$ 1,924,054	\$ -	\$ -	\$ -	1,924,054
Trade accounts	391,352	3,375,430	-	-	3,766,782
Unbilled revenues	-	1,118,505	-	-	1,118,505
Intergovernmental	3,052,151	-	-	-	3,052,151
Other	-	-	3,709	1,204	4,913
Total	\$ 5,367,557	\$ 4,493,935	\$ 3,709	\$ 1,204	\$ 9,866,405

5. Long-Term Receivable

In 2009, the City entered into an agreement with an outside entity for the entity to purchase water shares and wastewater system development fees from the City. The total amount of the agreement was approximately \$2 million. The receivable bears interest at 6.0% over 10 years. At December 31, 2018, the balance was \$216,423, which was paid in full during 2019.

6. Capital Assets

Governmental capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 4,631,822	\$ -	\$ (12,730)	\$ 4,619,092
Construction in Progress	723,933	2,100,609	(700,092)	2,124,450
Total capital assets not being depreciated	5,355,755	2,100,609	(712,822)	6,743,542
Capital assets being depreciated:				
Golf Course	3,283,636	230,712	(156,590)	3,357,758
Land improvements	13,831,103	1,142,154	(169,321)	14,803,936
Building and improvements	12,090,125	269,821	(86,390)	12,273,556
Infrastructure	31,318,270	7,196,731	(339,870)	38,175,131
Vehicles and equipment	6,435,074	841,907	(166,765)	7,110,216
General equipment	3,627,627	279,223	(323,165)	3,583,685
Total capital assets being depreciated	70,585,835	9,960,548	(1,242,101)	79,304,282
Accumulated depreciation	(38,047,985)	(2,415,711)	1,223,986	(39,239,710)
Capital assets being depreciated, net	32,537,850	7,544,837	(18,115)	40,064,572
Total governmental activities capital assets, net	\$ 37,893,605	\$ 9,645,446	\$ (730,937)	\$ 46,808,114

Depreciation for governmental activities has been allocated to various activities as follows:

General government	\$ 1,808,502
Public safety	246,436
Community development and public works	12,147
Parks and recreation	348,626
Total	\$ 2,415,711

City of Fort Morgan, Colorado
Notes to Financial Statements
December 31, 2019

Business-type capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Deletions/ Transfers Out	Ending Balance
Business-Type Activities				
Capital assets not being depreciated				
Construction in Progress	\$ -	\$ 500,000	\$ -	\$ 500,000
Total capital assets not being depreciated	-	500,000	-	500,000
Capital assets being depreciated:				
Electric system	29,582,595	393,619	(1,657,041)	28,319,173
Water system	66,599,008	623,607	(557,978)	66,664,637
Gas system	5,539,398	161,079	(606,197)	5,094,280
Sewer system	21,204,459	753,329	(259,330)	21,698,458
Sanitation system	1,616,617	-	(41,936)	1,574,681
Fiber network system	416,780	-	-	416,780
Total capital assets being depreciated	116,904,022	1,931,634	(3,122,482)	123,768,009
Accumulated depreciation	(57,655,220)	(3,054,550)	3,122,482	(57,587,288)
Capital assets being depreciated, net	59,248,802	(1,122,916)	-	66,180,721
Total business-type activities capital assets, net	\$ 59,248,802	\$ (622,916)	\$ -	\$ 66,680,721

Depreciation for business-type activities has been allocated to various activities as follows:

Electric	\$ 853,654
Water	1,336,993
Gas	139,168
Waste Water	639,878
Sanitation	74,832
Fiber network	10,025
	\$ 3,054,550

7. Long-Term Debt

The following is a summary of governmental long-term debt activity for the year ended December 31, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ 232,208	\$ 92,440	\$ (19,456)	\$ 305,192	\$ -
	\$ 232,208	\$ 92,440	\$ (19,456)	\$ 305,192	\$ -

City of Fort Morgan, Colorado
Notes to Financial Statements
December 31, 2019

Business-Type Activities

The following is a summary of business-type long-term debt activity for the year ended December 31, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds payable:					
2015 Water Revenue Refunding	\$ 11,540,000	\$ -	\$ (895,000)	\$ 10,645,000	\$ 920,000
Notes payable:					
1998 CWRPDA Note - Water	523,445	-	(523,445)	-	-
MEAN Payable	17,488	-	(17,488)	-	-
Compensated absences	149,222	76,919	(9,986)	216,155	-
	\$ 12,230,155	\$ 76,919	\$ (1,445,919)	\$ 10,861,155	\$ 920,000

Electric Fund

2013 Municipal Energy Agency of Nebraska Regulatory ISO Transmission Adjustment (MEAN Payable)

During 2013, the City was notified of a settlement between the Municipal Energy Agency of Nebraska (“MEAN”) and a third party. The City had a Service Schedule Power Contract with MEAN and each service schedule participant was required to pay for its allocation of the settlement. The City’s allocation of the settlement was determined to be \$524,626 and the amount was paid monthly at \$8,744, starting in April 2015 through April 2019. Interest was not accrued on this allocation and imputed interest was not considered material. The balance was paid in full during 2019.

Water Fund

1998 Colorado Water Resources and Power Development Authority Note Payable

During 1998, the City issued a \$15,433,355 note payable to the Colorado Resources and Power Development Authority. The note was utilized to provide additional funding for the construction of the Colorado Big Thompson pipeline. The note required semi-annual principal and interest payments due on June 1st and December 1st of each year. The payments ranged from \$232,708 to \$560,557 and were payable through June 2019. The loan accrued interest at a rate of 4.02% per annum. The balance was paid in full during 2019.

2015 Water Revenue Refunding bond

During 2015, the City issued a \$14,635,000 Water Revenue Refunding Bond to NBH Bank, N.A. The bond was issued for the redemption of the remaining portion of the 1995 Colorado Water Conservation Board Note Payable, the 1999 Colorado Water Conservation Board Note Payable, and the 1999A and 1999B USDA Revenue Bonds. The note requires annual principal payments due on December 1st and semi-annual interest payments due on June 1st and December 1st of each year. The payments range from \$1,257,658 to \$1,262,157 annually and are payable through December 2029. The loan bears interest at a rate of 3.130% per annum.

City of Fort Morgan, Colorado
Notes to Financial Statements
December 31, 2019

The annual requirements to amortize all outstanding business-type activities long-term debt, are as follows:

Year	Business-type Activities		
	Principal	Interest	Total
2020	\$ 920,000	\$ 338,742	\$ 1,258,742
2021	950,000	308,620	1,258,620
2022	980,000	278,472	1,258,472
2023	1,010,000	247,372	1,257,372
2024	1,045,000	215,910	1,260,910
2025-2029	5,740,000	557,407	6,297,407
Total	\$ 10,645,000	\$ 1,946,523	\$ 12,591,523

8. Pension Plans

The following table presents combined information relating to the City's defined benefit pension plans as of and for the year ended December 31, 2019:

	Volunteer Firefighters' Pension Plan	Police Old Hire Pension Fund	Local Government Division Trust Fund	Total
Deferred outflows of resources:				
Differences between expected and actual experience	\$ 59,356	\$ -	\$ 547,444	\$ 606,800
Changes of assumptions or other inputs	107,836	-	-	107,836
Net difference between projected and actual earnings on pension plan investments	96,192	31,464	1,705,036	1,832,692
Changes in proportionate share	-	-	-	-
City contributions subsequent to the measurement date	72,481	108,761	848,207	1,029,449
Total deferred outflows of resources relating to pensions	\$ 335,865	\$ 140,225	\$ 3,158,019	\$ 3,634,109
Deferred inflows of resources:				
Net difference between projected and actual earnings on pension plan investments	\$ 43,778	\$ 16,390	\$ -	\$ 60,168
Total deferred inflows of resources relating to pensions	\$ 43,778	\$ 16,390	\$ -	\$ 60,168
Net pension liability as of December 31, 2019	\$ 1,645,239	\$ 916,630	\$ 13,092,645	\$ 15,654,514
Total pension expense (income) for the year ended December 31, 2019	\$ 305,744	\$ 129,535	\$ (1,349,636)	\$ (914,357)

Fort Morgan Volunteer Fire Department Pension Plan

Plan Description. The City has established the Volunteer Firefighters' Pension Plan (the "Plan"), an agent multiple-employer defined benefit pension plan administered by the FPPA. As of December 31, 2018, the Plan has 39 retirees and beneficiaries, 2 inactive, nonretired members, and 27 active current members. FPPA issues an annual, publicly available financial report that includes the assets of the Volunteer Plan. The report may be obtained on FPPA's website at <http://www.fppaco.org>.

Benefits Provided. The plan provides for a monthly pension of \$450 for volunteers who have satisfied the normal age and service requirements and pro rata pensions for volunteers who have satisfied the normal age, but only a portion of the service requirement. It further provides death benefits and a partial pension (50% of the amount the volunteer has earned) for surviving spouses. The normal age and service

City of Fort Morgan, Colorado
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requirement is the latest date a volunteer reaches 50 years of age or completes 20 years of service. Pro rata pensions would apply to volunteers who reached 50 years of age and had between 10 and 20 years of service. The plan also provides a funeral benefit, lump sum one-time only payment of \$900.

Funding Policy. The Plan receives contributions from the City’s general fund in the amount that agrees to the actuarial study. Contributions are established and may be amended by the City’s Pension Board. An actuary is used to determine the adequacy of contributions. The actuarial study as of January 1, 2019, indicated that the current levels of contributions to the fund are not adequate to support on an actuarially sound basis the prospective benefits for the present Plan. Contributions to the Plan from the City were \$72,481 for the year ended December 31, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At December 31, 2019, the City reported a net pension liability of \$1,645,239. The net pension liability was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2019. This measurement date is within one year of the plan sponsor’s fiscal year end of December 31, 2019 and may be used for December 31, 2019 reporting purposes.

For the year ended December 31, 2019, the City recognized pension expense of \$305,744. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows of
Differences between expected and actual experience	\$ 59,356	\$ -
Net difference between projected and actual earnings on pension plan investments	96,192	43,778
Changes of Assumptions or other inputs	107,836	-
City contributions subsequent to the measurement date	72,481	-
	<u>\$ 335,865</u>	<u>\$ 43,778</u>

The \$72,481 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amortization
2020	\$ 96,794
2021	54,302
2022	48,623
2023	19,887
	<u>\$ 219,606</u>

City of Fort Morgan, Colorado
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Actuarial Assumptions: The total pension liability the December 31, 2018 measurement date was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization Period	20 years
Asset Valuation Method	5-year smoothed fair value
Inflation	2.5
Salary Increases	N/A
Investment Rate of Return	7.0%
Retirement Age	50% per year of eligibility until 100% at age 65.
Mortality	<p><i>Pre-retirement:</i> 2006 central rates from the RP-2014 Employee Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years, 50% multiplier for off-duty mortality.</p> <p><i>Post-retirement:</i> 2006 central rates from the RP-2014 Annuitant Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.</p> <p><i>Disabled:</i> 2006 central rates from the RP-2014 Disabled Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.</p>

Discount Rate. Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits). For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 3.71% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.00%. Projected cash flows used in determining the Single Discount Rate are available upon request.

Long-Term Expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return which eliminates the 2.5% inflation assumption, for each major asset class included in the Fund's target asset allocation as of December 31, 2018 are summarized in the table on the following page.

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Asset Class	Target Allocation	Long Term Expected Rate of Return
Cash	2%	2.52%
Fixed Income	15%	2.90%
Managed Futures	4%	5.35%
Absolute Return	9%	5.08%
Equity Long/Short	9%	6.45%
Global Public Equity	37%	8.03%
Private Capital	24%	10.00%
Total	100%	

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability/ (asset) calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension liability/ (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1.00% Decrease	Current Discount Rate	1.00% Increase
Net pension liability/ (asset)	\$1,977,405	\$1,645,239	\$1,371,288

FPPA System Description. The Fire & Police Pension Association administers an agent multiple employer Public Employee Retirement System ("PERS"). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available comprehensive annual financial report that can be obtained at <http://www.fppaco.org>.

Change in Net Pension (Asset) Liability

	Total Pension (Asset) Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at December 31, 2018	\$ 2,518,831	\$ 1,256,787	\$ 1,262,044
Changes for the year			
Service cost	7,129	-	7,129
Interest	181,602	-	181,602
Benefit Changes	148,361	-	148,361
Difference between expected and actual experience of Total Pension Liability	57,999	-	57,999
Changes of assumptions	124,629	-	124,629
Benefit payments	(205,650)	(205,650)	-
Contributions - employer	-	88,404	(88,404)
Net investment income	-	1,530	(1,530)
Pension Plan Administrative Expense	-	(15,272)	15,272
State of Colorado supplemental discretionary payment	-	61,863	(61,863)
Net changes	314,070	(69,125)	383,195
Balances at December 31, 2019	\$ 2,832,901	\$ 1,187,662	\$ 1,645,239

City of Fort Morgan Police Department Money Purchase Pension Plan

Plan Description. The money purchase pension plan is a defined contribution plan, with benefits dependent on amounts contributed to the plan and investment earnings. Employees are eligible to participate from the date of employment. All changes to the plan must be approved by the City Council.

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Funding Policy. The City and employees each contribute 8% of covered salary, with the rate increased to 10% effective October 1, 2007, to 11.9% effective January 1, 2008 and to 12.8% effective January 1, 2009. The City's contributions vest with the employee at 50% after being with the City 5 years and increase 10% annually thereafter until the employee is 100% vested. Forfeited contributions and related earnings on investments are used to offset the City's current contributions.

During 2019, the City's covered payroll under the plan was \$1,841,051. The City made all required contributions for the plan year. The City has contributed \$235,411, \$190,864, and \$191,677, for the years ended December 31, 2019, 2018, and 2017, respectively.

City of Fort Morgan Police Old Hire Pension Fund

Plan Description. City police officers that did not transfer to the Money Purchase Pension Plan participate in the City of Fort Morgan Police Old Hire Pension Fund, an agent multiple-employer public retirement program administered by the FPPA. As of December 31, 2018, the Plan has three retired members. FPPA issues an annual, publicly-available financial report that includes the assets of the Old Hire Plan. That report may be obtained on FPPA's website at <http://www.fppaco.org>.

Benefits Provided. The defined benefit plan provides retirement benefits for members and beneficiaries. Members are eligible to retire upon completion of 25 years of service or the completion of 20 years of service and reaching 55 years of age.

Funding Policy. The plan receives contributions from the City in the amount as required by the actuarial valuation for the plan. Contributions are established and may be amended by the City's Pension Board. An actuary is used to determine the adequacy of contributions. The actuarial study as of January 1, 2018, indicated that the current levels of contributions to the fund are adequate to support on an actuarially sound basis the prospective benefits for the present Plan. Contributions to the Plan from the City were \$108,761 for the year ended December 31, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At December 31, 2019, the City reported a net pension liability of \$916,630. The net pension liability was measured as of December 31, 2018, and was determined by an actuarial valuation as of January 1, 2019. This measurement date is within one year of the plan sponsor's fiscal year end of December 31, 2019 and may be used for December 31, 2019 reporting purposes.

For the year ended December 31, 2019, the City recognized pension expense of \$129,535. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows of
Net difference between projected and actual earnings on pension plan investments	\$ 31,464	\$ 16,390
City contributions subsequent to the measurement date	108,761	-
	\$ 140,225	\$ 16,390

The \$108,761 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

City of Fort Morgan, Colorado
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Year Ended December 31,	Amortization
2020	\$ 7,438
2021	2,022
2022	76
2023	5,538
	\$ 15,074

Actuarial Assumptions. The total pension liability at the December 31, 2017 measurement date was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization Period	14 years
Asset Valuation Method	5-year smoothed fair value
Inflation	2.5%
Salary Increases	N/A
Investment Rate of Return	7.5%
Retirement Age	Any remaining actives are assumed to be retired immediately.
Mortality	Pre-retirement: RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55% multiplier for off-duty mortality. Increased by 0.00020 for on-duty related Fire and Police experience. Post-retirement: For ages less than 55, RP-2014 Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables for Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB. Disabled: RP-2014 Disabled Generational Mortality Table generationally projected with Scale BB with a minimum 3% rate for males and 2% rate for females.

Discount Rate. Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits). For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.71% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%. Projected cash flows used in determining the Single Discount Rate are available upon request.

Long-Term Expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic nominal rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2018 are summarized in the table on the following page.

City of Fort Morgan, Colorado
Notes to Financial Statements
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Asset Class	Target Allocation	Long Term Expected Rate of Return
Cash	2%	2.52%
Fixed Income	15%	2.90%
Managed Futures	4%	5.35%
Absolute Return	9%	5.08%
Equity Long/Short	9%	6.45%
Global Public Equity	37%	8.03%
Private Capital Markets	24%	10.00%
Total	100%	

Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate. The following presents the net pension asset calculated using the discount rate of 7.50 percent, as well as the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1.00% Decrease	Current Discount Rate	1.00% Increase
Net pension liability/(asset)	\$999,227	\$916,630	\$843,977

FPPA System Description. The Fire & Police Pension Association administers an agent multiple employer PERS. The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available comprehensive annual financial report that can be obtained at <http://www.fppaco.org>.

Change in Net Pension (Asset) Liability

	Total Pension (Asset) Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at December 31, 2018	\$ 1,280,222	\$ 409,911	\$ 870,311
Changes for the year			
Interest	93,991	-	93,991
Benefit changes	51,210	-	51,210
Contributions - employer	-	102,792	(102,792)
Net investment income	-	791	(791)
Benefit payments	(159,315)	(159,315)	-
Administrative expenses	-	(4,701)	4,701
Net changes	(14,114)	(60,433)	46,319
Balances at December 31, 2019	\$ 1,266,108	\$ 349,478	\$ 916,630

The City provides pension benefits to all of its full-time police officers through either its “Money Purchase Pension Plan” or through the “Old Hire Plan”.

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General Employee Pension Plan

Plan Description. Eligible employees of the City are provided with pensions through the Local Government Division Trust Fund – a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (“C.R.S.”), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (“CAFR”) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided as of December 31, 2018. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee’s member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (“AI”) for 2018 and 2019. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (“CPI-W”) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA’s Annual Increase Reserve (“AIR”) for the LGDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

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Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions Provisions as of December 31, 2019: Eligible employees and the City are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of January 1, 2019 through December 31, 2019. The employer contribution requirements during the period of January 1, 2019 through December 31, 2019 are summarized in the table below:

	January 1, 2018 Through December 31, 2019
Employer Contribution Rate ¹	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in CRS § 24-51-208(1)(f) ¹	(1.02)%
Amount Apportioned to the LGDTF ¹	8.98%
Amortization Equalization Disbursement (AED) as specified in CRS § 24-51-411 ¹	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in CRS 24-51-411 ¹	1.50%
Total Employer Contribution Rate to the LGDTF¹	12.68%

¹ Contribution Rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the City is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the City were \$848,207 for the year ended December 31, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At December 31, 2019, the City reported a liability of \$13,092,645 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018. The City's proportion of the net pension liability was based on City contributions to the LGDTF for the calendar year 2018 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2018, the City's proportion was 1.0414 percent, which was an increase of 0.0112 from its proportion measured as of December 31, 2017.

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For the year ended December 31, 2019, the City recognized pension income of \$1,349,636. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 547,444	\$ -
Net difference between projected and actual earnings on pension plan investments	1,705,036	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	57,332	-
City contributions subsequent to the measurement date	848,207	-
	\$ 3,158,019	\$ -

The \$848,207 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amortization
2020	\$ 1,140,875
2021	432,170
2022	228,718
2023	508,049
	\$ 2,309,812

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 - 10.45 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

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- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, LGDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.25 percent, as well as what the City’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City’s proportionate share of the net pension liability	\$ 20,029,040	\$ 13,092,645	\$ 7,289,649

Pension Plan Fiduciary Net Position. Detailed information about the LGDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Changes Between the Measurement Date of the Net Pension Liability and December 31, 2019.

During the 2019 legislative session, the Colorado General Assembly passed HB 19-1217: PERA Public Employees’ Retirement Association Local Government Division Member Contribution Rate. The bill was signed into law by Governor Polis on May 20, 2019, and eliminates the 2 percent increase in the contribution rate for members in the Local Government Division mandated by SB 18-200.

9. Defined Benefit Other Post-Employment Benefit Plan

Plan Description. Eligible employees of the City are provided with OPEB through the HCTF - a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member’s years of service credit. For members who retire having service credit with employers in the Denver Public Schools

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Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (“DPS HCTF”). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient’s eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure. The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, District, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the City is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the City were \$68,231 for the year ended December 31, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At December 31, 2019, the City reported a liability of \$1,098,715 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The City’s proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

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At December 31, 2018, the City's proportion was 0.0808 percent, which was an increase of .0008 from its proportion measured as of December 31, 2017.

For the year ended December 31, 2018, the City recognized OPEB expense of \$89,053. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,988	\$ 1,672
Net difference between projected and actual earnings on pension plan investments	6,318	-
Changes of Assumptions or other inputs	7,707	-
Change in proportionate share	-	7,320
City contributions subsequent to the measurement date	68,231	-
	\$ 86,244	\$ 8,992

The \$68,231 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Amortization
2020	\$ 779
2021	779
2022	779
2023	780
2024	5,604
Thereafter	300
	\$ 9,021

Actuarial assumptions. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

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The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$736	\$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.00%	4.00%
Ultimate Medicare Part A trend rate	4.00%	4.25%	5.25%
Net OPEB Liability	\$ 1,068,375	\$ 1,098,715	\$ 1,133,611

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Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF’s fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Sensitivity of the City’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District’s proportionate share of the net OPEB liability	\$ 1,229,366	\$ 1,098,715	\$ 987,020

OPEB plan fiduciary net position. Detailed information about the HCTF’s fiduciary net position is available in PERA’s CAFR which can be obtained at www.copera.org/investments/pera-financial-reports.

10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the City carries commercial insurance. The City consolidates all of its risk management activities into the Self Insurance Fund. Premiums are paid into the Risk Related Insurance Fund and are available to pay commercial insurance premiums, claims, and administrative costs of insurance related activities. The amounts of settlements have not exceeded insurance coverage the past three years, nor were there any significant changes in insurance coverage.

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11. Contingencies

Grants and Contributions

The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2019, grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

Litigation

At times, the City may be subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the City.

12. Compliance

In November 1992, Colorado voters passed an amendment (the “Amendment” or “TABOR”) to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and “fiscal year spending” include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the “spending limit” must be refunded or approved to be retained by the City under specified voting requirements by the entire electorate.

On November 7, 1995, voters within the City approved the collection, retention and expenditure of the full revenues generated by the City in 1996 and subsequent years, notwithstanding the provisions of the Amendment.

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). At December 31, 2019 the City has restricted \$689,437 in the General Fund for emergencies as defined under Article X, Section 20 of the Colorado Constitution.

The City believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

City of Fort Morgan, Colorado
Notes to Financial Statements
December 31, 2019

13. Subsequent Events

The City evaluated subsequent events through July 7, 2020, the date these financial statements were available to be issued. No subsequent events were identified that required recognition or additional disclosure in these financial statements, except as follows:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks City to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

Required Supplementary Information

City of Fort Morgan, Colorado
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 1,650,000	\$ 1,650,000	\$ 1,669,974	\$ 19,974
Specific ownership taxes	150,000	150,000	177,087	27,087
Sales taxes	4,400,000	4,400,000	5,675,194	1,275,194
Use taxes	65,000	65,000	122,715	57,715
Franchise taxes	84,500	84,500	87,679	3,179
Total taxes	6,349,500	6,349,500	7,732,649	1,383,149
Licenses and permits				
Building permits	30,000	30,000	38,491	8,491
Liquor licenses	5,500	5,500	8,320	2,820
Other licenses and permits	8,200	8,200	15,172	6,972
Total licenses and permits	43,700	43,700	61,983	18,283
Intergovernmental				
Road and bridge	300,000	300,000	472,492	172,492
Motor vehicle fees	37,000	37,000	70,426	33,426
Severance and mineral taxes	35,000	35,000	224,674	189,674
Cigarette taxes	30,000	30,000	23,839	(6,161)
In lieu of taxes	3,656,000	3,656,000	3,933,590	277,590
Federal grants	1,000	1,000	1,302	302
State grants	4,000	4,000	94,022	90,022
Other intergovernmental revenues	215,447	215,447	76,261	(139,186)
Total intergovernmental	4,278,447	4,278,447	4,896,606	618,159
Charges for services				
Recreation fees	509,300	509,300	479,240	(30,060)
Cemetery fees	82,000	82,000	67,165	(14,835)
Other charges for services	30,000	30,000	114,307	84,307
Total charges for services	621,300	621,300	660,712	39,412
Fines and forfeitures				
Traffic fines	70,000	70,000	51,294	(18,706)
Parking fines	13,000	13,000	6,228	(6,772)
Other fines and forfeitures	110,750	110,750	104,102	(6,648)
Total fines and forfeitures	193,750	193,750	161,624	(32,126)
Miscellaneous revenues				
Rents	12,000	12,000	12,818	818
Airport fees	2,000	2,000	11,883	9,883
Donations	-	-	9,155	9,155
Other revenues	20,000	20,000	246,932	226,932
Total miscellaneous revenues	34,000	34,000	280,788	246,788
Earnings on investments	75,000	85,000	731,778	646,778
Total revenues	11,595,697	11,605,697	14,526,140	2,920,443

Continued.

City of Fort Morgan, Colorado
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund (Continued)
Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current:				
General government				
Mayor and council	49,906	49,906	48,238	1,668
City manager	214,470	214,470	192,470	22,000
Finance	104,196	104,196	101,670	2,526
City clerk	72,865	72,865	62,358	10,507
City attorney	77,973	77,973	88,837	(10,864)
Human resources	130,537	130,537	141,787	(11,250)
Other general government	525,492	525,492	534,513	(9,021)
Total general government	1,175,439	1,175,439	1,169,873	5,566
Public safety				
Police	3,766,680	3,766,680	3,557,967	208,713
Fire	571,702	571,702	550,780	20,922
Building inspections	284,684	284,684	266,093	18,591
Municipal court	176,489	176,489	203,364	(26,875)
Total public safety	4,799,555	4,799,555	4,578,204	221,351
Community development and public works				
Airport	91,912	91,912	82,193	9,719
Street	1,550,600	1,550,600	1,455,461	95,139
Total community development and public works	1,642,512	1,642,512	1,537,654	104,858
Parks and recreation				
Recreation/senior center	656,891	647,296	734,449	(87,153)
Parks/cemetery	1,490,811	1,490,811	1,436,745	54,066
Library/museum	697,154	697,154	636,548	60,606
Community services	183,717	183,717	89,638	94,079
Golf	846,036	846,036	842,008	4,028
Total parks and recreation	3,874,609	3,865,014	3,739,388	125,626
Total expenditures	11,492,115	11,482,520	11,025,119	457,401
Excess of revenues over expenditures	103,582	123,177	3,501,021	3,377,844
Other financing uses				
Transfers out	-	(4,500,000)	(4,500,000)	-
Total other financing uses	-	(4,500,000)	(4,500,000)	-
Net change in fund balance	\$ 103,582	\$ (4,376,823)	(998,979)	\$ 3,377,844
Fund balance at beginning of year			25,771,637	
Fund balance at end of year			\$ 24,772,658	

See accompanying Independent Auditor's Report.

City of Fort Morgan, Colorado
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Capital Improvement Fund
Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes				
Sales taxes	\$ 2,200,000	\$ 2,200,000	\$ 2,797,395	\$ 597,395
Use taxes	40,000	40,000	58,444	18,444
Street sales taxes	2,200,000	2,200,000	2,884,686	684,686
Total taxes	4,440,000	4,440,000	5,740,525	1,300,525
Intergovernmental				
Highway users taxes	300,000	300,000	432,779	132,779
Federal grants	786,145	786,145	760,963	(25,182)
State grants	868,675	868,675	625,382	(243,293)
Total intergovernmental	1,954,820	1,954,820	1,819,124	(135,696)
Miscellaneous revenues				
Other revenues	-	-	813,215	813,215
Total miscellaneous revenues	-	-	813,215	813,215
Earnings on investments	7,100	7,100	92,648	85,548
Total revenues	6,401,920	6,401,920	8,465,512	2,063,592
Expenditures				
Debt service	44,209	44,209	3,599	40,610
Capital outlay	8,475,494	11,075,494	11,022,278	53,216
Total expenditures	8,519,703	11,119,703	11,025,877	93,826
Excess (deficiency) of revenues over expenditures	(2,117,783)	(4,717,783)	(2,560,365)	2,157,418
Other financing sources				
Transfers in	2,117,783	4,717,783	4,500,000	(217,783)
Total other financing sources	2,117,783	4,717,783	4,500,000	(217,783)
Net change in fund balance	\$ -	\$ -	1,939,635	\$ 1,939,635
Fund balance at beginning of year			2,295,517	
Fund balance at end of year			\$ 4,235,152	

See accompanying Independent Auditor's Report.

City of Fort Morgan
Schedule of the City's Proportionate Share of the Net Pension Liability
PERA - Local Government Division Trust Fund

Last Ten Years

December 31,	2019	2018	2017	2016	2015	2014
PERA - Local Government Division Trust Fund						
City's proportion of the net pension liability	\$ 13,092,645	\$ 11,470,591	\$ 14,353,748	\$ 11,355,343	\$ 9,185,308	\$ 8,630,139
City's proportionate share of the net pension liability	1.0414%	1.0302%	1.0630%	1.0308%	1.0248%	1.0487%
City's covered payroll	\$ 7,075,603	\$ 6,494,440	\$ 6,463,667	\$ 5,608,494	\$ 5,614,826	\$ 5,592,808
City's proportionate share of the net pension liability as a percentage of its covered payroll	185.04%	176.62%	222.07%	202.47%	163.59%	154.31%
Plan fiduciary net position as a percentage of the total pension	75.96%	79.37%	73.60%	76.90%	80.70%	77.66%

* The amounts presented for each fiscal year were determined as of 12/31 of the prior year.

Pension schedules are intended to show information for ten years, additional years' information will be displayed as it becomes available.

See accompanying Independent Auditor's Report.

City of Fort Morgan
Schedule of City Contributions
PERA - Local Government Division Trust Fund
Last Ten Years

Year Ended December 31,	2019	2018	2017	2016
PERA - Local Government Division Trust Fund				
Statutorily Required Contribution	\$ 848,207	\$ 897,187	\$ 823,495	\$ 819,593
Contributions in Relation to the Statutorily Required Contribution	848,207	897,187	823,495	819,593
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 6,689,330	\$ 7,075,603	\$ 6,494,440	\$ 6,463,667
Contributions as a Percentage of Covered Payroll	12.68%	12.68%	12.68%	12.68%

2015	2014	2013	2012	2011	2010
\$ 711,157	\$ 711,960	\$ 709,168	\$ 740,544	\$ 731,229	\$ 798,674
711,157	711,960	709,168	740,544	731,229	798,674
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 5,608,494	\$ 5,614,826	\$ 5,592,808	\$ 5,840,252	\$ 5,766,790	\$ 6,298,691
12.68%	12.68%	12.68%	12.68%	12.68%	12.68%

City of Fort Morgan, Colorado
Schedule of Changes in Net Pension Liability/(Asset)
and Related Ratios - Volunteer Firefighters' Pension Plan

Last Ten Years

Measurement Period Ending December 31,	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 7,129	\$ 7,129	\$ 6,762	\$ 6,762	\$ 8,248
Interest on the total pension liability	181,602	182,349	172,780	173,568	172,901
Benefit changes	148,361	-	-	-	-
Difference between expected and actual experience	57,999	-	74,419	-	15,981
Changes of assumptions	124,629	-	66,544	-	-
Benefit payments	(205,650)	(193,437)	(192,785)	(188,933)	(186,150)
Net Change in Total Pension Liability	314,070	(3,959)	127,720	(8,603)	10,980
Total Pension Liability - Beginning	2,518,831	2,522,790	2,395,070	2,403,673	2,392,693
Total Pension Liability - Ending	\$ 2,832,901	\$ 2,518,831	\$ 2,522,790	\$ 2,395,070	\$ 2,403,673
Plan Fiduciary Net Position					
Employer contribution	\$ 88,404	\$ 91,820	\$ 76,585	\$ 150,177	\$ -
Pension plan net investment income	1,530	157,663	56,550	21,490	74,859
Benefit payments	(205,650)	(193,437)	(192,785)	(188,933)	(186,150)
Pension plan administrative expenses	(15,272)	(16,206)	(1,983)	(4,331)	(2,096)
State of Colorado supplemental discretionary payment	61,863	58,447	58,447	51,759	52,299
Net Change in Plan Fiduciary Net Position	(69,125)	98,287	(3,186)	30,162	(61,088)
Plan Fiduciary Net Position - Beginning	1,256,787	1,158,500	1,161,686	1,131,524	1,192,612
Plan Fiduciary Net Position - Ending	\$ 1,187,662	\$ 1,256,787	\$ 1,158,500	\$ 1,161,686	\$ 1,131,524
Net Pension Liability/(Asset) - Ending	\$ 1,645,239	\$ 1,262,044	\$ 1,364,290	\$ 1,233,384	\$ 1,272,149
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	41.92%	49.90%	45.92%	48.50%	47.07%
Covered Payroll	N/A	N/A	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

Pension schedules are intended to show information for ten years, additional years' information will be displayed as it becomes available.

See accompanying Independent Auditor's Report.

City of Fort Morgan, Colorado
Schedule of Changes in Net Pension Liability/(Asset)
and Related Ratios - Old Hire Pension Plan

Last Ten Years

Measurement Period Ending December 31,	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on the total pension liability	93,991	88,821	93,409	85,215	87,774
Benefit changes	51,210	24,541	25,867	20,635	26,685
Difference between expected and actual experience	-	63,611	-	61,360	-
Changes of assumptions	-	-	-	67,767	-
Benefit payments	(159,315)	(159,194)	(150,126)	(153,012)	(144,297)
Net Change in Total Pension Liability	(14,114)	17,779	(30,850)	81,965	(29,838)
Total Pension Liability - Beginning	1,280,222	1,262,443	1,293,293	1,211,328	1,241,166
Total Pension Liability - Ending	\$ 1,266,108	\$ 1,280,222	\$ 1,262,443	\$ 1,293,293	\$ 1,211,328
Plan Fiduciary Net Position					
Employer contributions	\$ 102,792	\$ 99,660	\$ 88,699	\$ 88,680	\$ 81,155
Employee contributions	-	-	-	-	-
Pension plan net investment income	791	56,184	22,220	9,099	35,113
Benefit payments	(159,315)	(159,194)	(150,126)	(153,012)	(144,297)
Pension plan administrative expenses	(4,701)	(1,715)	(3,848)	(1,054)	(5,135)
Net Change in Plan Fiduciary Net Position	(60,433)	(5,065)	(43,055)	(56,287)	(33,164)
Plan Fiduciary Net Position - Beginning	409,911	414,976	458,031	514,318	547,482
Plan Fiduciary Net Position - Ending	\$ 349,478	\$ 409,911	\$ 414,976	\$ 458,031	\$ 514,318
Net Pension Liability/(Asset) - Ending	\$ 916,630	\$ 870,311	\$ 847,467	\$ 835,262	\$ 697,010
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	27.60%	32.02%	32.87%	35.42%	42.46%
Covered Payroll	N/A	N/A	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

Pension schedules are intended to show information for ten years, additional years' information will be displayed as it becomes available.

See accompanying Independent Auditor's Report.

City of Fort Morgan, Colorado
Schedule of Contributions
Volunteer Firefighters' Pension Plan

Last Ten Years

FY Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a % of Covered Payroll
2010	108,574	108,574	-	N/A	N/A
2011	108,574	108,574	-	N/A	N/A
2012	108,574	108,574	-	N/A	N/A
2013	108,574	108,574	-	N/A	N/A
2014	125,891	52,299	73,592	N/A	N/A
2015	125,891	201,936	(76,045)	N/A	N/A
2016	128,344	135,032	(6,688)	N/A	N/A
2017	128,344	150,267	(21,923)	N/A	N/A
2018	150,267	150,267	-	N/A	N/A
2019	134,344	134,344	-	N/A	N/A

See accompanying Independent Auditor's Report.

Notes to Schedule of Contributions:

Actual Contribution:

Amounts include both employer contributions and the State of Colorado Supplemental Discretionary Payment.

Valuation Date:

Actuarially determined contributions rates are calculated as of January 1 of odd number years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2017, determines the contribution amounts for 2018 and 2019.

City of Fort Morgan, Colorado
Schedule of Contributions
Old Hire Pension Plan

Last Ten Years

FY Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a % of Covered Payroll
2010	73,322	73,322	\$ -	N/A	N/A
2011	92,988	73,272	\$ 19,716	N/A	N/A
2012	92,988	112,988	\$ (20,000)	N/A	N/A
2013	79,953	81,115	\$ (1,162)	N/A	N/A
2014	81,155	81,155	\$ -	N/A	N/A
2015	88,699	88,680	\$ 19	N/A	N/A
2016	88,699	88,699	\$ -	N/A	N/A
2017	99,655	99,660	\$ (5)	N/A	N/A
2018	102,788	102,794	\$ (6)	N/A	N/A
2019	106,878	108,761	\$ 1,883	N/A	N/A

See accompanying Independent Auditor's Report.

Notes to Schedule of Contributions:

Valuation Date:

Actuarially determined contributions rates are calculated as of January 1 of odd number years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2018, determines the contribution amounts for 2019 and 2020.

City of Fort Morgan
Schedule of the City's Proportionate Share of the Net OPEB Liability
PERA - Health Care Trust Fund
Last Ten Years

December 31,	2019	2018	2017
PERA - Health Care Trust Fund			
City's proportion of the net OPEB liability	\$ 1,098,715	\$ 1,040,248	\$ 1,058,784
City's proportionate share of the net OPEB liability	0.0808%	0.0800%	0.0815%
City's covered payroll	\$ 7,075,603	\$ 6,494,440	\$ 6,463,667
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	15.53%	16.02%	16.38%
Plan fiduciary net position as a percentage of the total OPEB	17.03%	17.53%	16.72%

* The amounts presented for each fiscal year were determined as of 12/31 of the prior year.

OPEB schedules are intended to show information for ten years, additional years' information will be displayed as it becomes available.

City of Fort Morgan
Schedule of City Contributions
PERA - Health Care Trust Fund
Last Ten Years

Year Ended December 31,	2019	2018	2017	2016
PERA - Health Care Trust Fund				
Statutorily Required Contribution	\$ 68,231	\$ 72,171	\$ 66,243	\$ 65,929
Contributions in Relation to the Statutorily Required Contribution	68,231	72,171	66,243	65,929
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 6,689,314	\$ 7,075,603	\$ 6,494,440	\$ 6,463,667
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%

2015	2014	2013	2012	2011	2010
\$ 57,207	\$ 57,271	\$ 57,047	\$ 59,571	\$ 58,821	\$ 64,247
57,207	57,271	57,047	59,571	58,821	64,247
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 5,608,494	\$ 5,614,826	\$ 5,592,808	\$ 5,840,252	\$ 5,766,790	\$ 6,298,691
1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

Other Supplementary Information

City of Fort Morgan, Colorado
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2019

	Conservation Trust Fund	Police Forfeiture Fund	Total Nonmajor Governmental Funds
Assets			
Cash, cash equivalents and investments	\$ 407,521	\$ -	\$ 407,521
Restricted cash, cash equivalents and investments	-	43,002	43,002
Total assets	\$ 407,521	\$ 43,002	\$ 450,523
Liabilities and fund balances			
Liabilities			
Accounts payable	-	-	-
Total liabilities	-	-	-
Fund balances			
Restricted for:			
Parks and recreation	407,521	-	407,521
Public safety	-	43,002	43,002
Total fund balances	407,521	43,002	450,523
Total liabilities and fund balances	\$ 407,521	\$ 43,002	\$ 450,523

See accompanying Independent Auditor's Report.

City of Fort Morgan, Colorado
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2019

	Conservation Trust Fund	Police Forfeiture Fund	Total Nonmajor Governmental Funds
Revenues			
Intergovernmental	\$ 172,807	\$ -	\$ 172,807
Earnings on investments	-	35	35
Total revenues	172,807	35	172,842
Expenditures			
Current:			
Capital outlay	343,553	-	343,553
Total expenditures	343,553	-	343,553
Net change in fund balance	(170,746)	35	(170,711)
Fund balance at beginning of year	578,267	42,967	621,234
Fund balance at end of year	\$ 407,521	\$ 43,002	\$ 450,523

See accompanying Independent Auditor's Report.

City of Fort Morgan, Colorado
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Conservation Trust Fund
Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State grants	\$ 105,000	\$ 105,000	\$ 172,807	\$ 67,807
Other intergovernmental revenues	264,000	264,000	-	(264,000)
Total revenues	369,000	369,000	172,807	(196,193)
Expenditures				
Capital outlay	369,000	369,000	343,553	25,447
Total expenditures	369,000	369,000	343,553	25,447
Change in fund balance	\$ -	\$ -	(170,746)	\$ (170,746)
Fund balance at beginning of year			<u>578,267</u>	
Fund balance at end of year			<u>\$ 407,521</u>	

See accompanying Independent Auditor's Report.

City of Fort Morgan, Colorado
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Police Forfeiture Fund
Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	\$ 45	\$ 45	\$ 35	\$ (10)
Total revenues	45	45	35	(10)
Change in fund balance	\$ 45	\$ 45	35	\$ (10)
Fund balance at beginning of year			<u>42,967</u>	
Fund balance at end of year			<u>\$ 43,002</u>	

See accompanying Independent Auditor's Report.

City of Fort Morgan, Colorado
Combining Statement of Net Position
Nonmajor Proprietary Funds
December 31, 2019

	Enterprise Funds		Total
	Sanitation Fund	Fiber Network Fund	
Assets			
Current assets			
Cash, cash equivalents and investments	\$ 2,346,222	\$ 10,133	\$ 2,356,355
Accounts receivable	138,348	-	138,348
Total current assets	2,484,570	10,133	2,494,703
Noncurrent assets			
Property and equipment	1,574,681	416,780	1,991,461
Accumulated depreciation	(1,237,603)	(272,246)	(1,509,849)
Total noncurrent assets	337,078	144,534	481,612
Total assets	2,821,648	154,667	2,976,315
Deferred outflows of resources			
Deferred outflows of resources relating to pensions	78,157	-	78,157
Deferred outflows of resources relating to OPEB	448	-	448
Total deferred outflows of resources	78,605	-	78,605
Liabilities			
Accounts payable	33,854	-	33,854
Accrued expenses	4,272	-	4,272
Compensated absences payable	13,720	-	13,720
Net pension liability	324,028	-	324,028
Net OPEB liability	27,248	-	27,248
Total liabilities	403,122	-	403,122
Deferred inflows of resources			
Deferred inflows of resources relating to OPEB	41	-	41
Total deferred inflows of resources	41	-	41
Net position			
Net investment in capital assets	337,078	144,534	481,612
Unrestricted	2,160,012	10,133	2,170,145
Total net position	\$ 2,497,090	\$ 154,667	\$ 2,651,757

See accompanying Independent Auditor's Report.

City of Fort Morgan, Colorado
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Proprietary Funds
Year Ended December 31, 2019

	Enterprise Funds		Total
	Sanitation Fund	Fiber Network Fund	
Operating revenues			
Charges for services	\$ 1,235,838	\$ -	\$ 1,235,838
Operating expenses			
Transmission, distribution and collection	730,585	-	730,585
In lieu of fees	61,799	-	61,799
Administrative support allocation	208,562	-	208,562
Depreciation	74,832	10,025	84,857
Total operating expenses	1,075,778	10,025	1,085,803
Operating income (loss)	160,060	(10,025)	150,035
Nonoperating revenues			
Earnings on investments	67,531	-	67,531
Other income	1,000	-	1,000
Total nonoperating revenues	68,531	-	68,531
Change in net position	228,591	(10,025)	218,566
Net position at beginning of year	2,268,499	164,692	2,433,191
Net position at end of year	\$ 2,497,090	\$ 154,667	\$ 2,651,757

See accompanying Independent Auditor's Report.

City of Fort Morgan, Colorado
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Year Ended December 31, 2019

	Enterprise Funds		Total
	Sanitation Fund	Fiber Network Fund	
Cash flows from operating activities			
Cash received from customers	\$ 1,233,613	\$ -	\$ 1,233,613
Cash payments to suppliers	(780,240)	-	(780,240)
Cash payments to employees	(290,578)	-	(290,578)
Net cash flows from operating activities	162,795	-	162,795
Cash flows from non-capital financing activities			
Other income	1,000	-	1,000
Net cash flows from non-capital financing activities	1,000	-	1,000
Cash flows from investing activities			
Interest received	67,531	-	67,531
Net cash flows from investing activities	67,531	-	67,531
Net change in cash and cash equivalents	231,326	-	231,326
Cash and cash equivalents at beginning of year	2,114,896	10,133	2,125,029
Cash and cash equivalents at end of year	2,346,222	\$ 10,133	\$ 2,356,355
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ 160,060	\$ (10,025)	\$ 150,035
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	74,832	10,025	84,857
(Increase) decrease in operating assets:			
Accounts receivable	(2,225)	-	(2,225)
Prepaid items	104	-	104
Deferred outflows of resources	(29,999)	-	(29,999)
Increase (decrease) in operating liabilities:			
Accounts payable and accrued liabilities	5,654	-	5,654
Compensated absences payable	3,699	-	3,699
Deferred inflows of resources	(65,203)	-	(65,203)
Net pension liability	16,513	-	16,513
Net OPEB liability	(640)	-	(640)
Net cash flows from operating activities	\$ 162,795	\$ -	\$ 162,795

See accompanying Independent Auditor's Report.

City of Fort Morgan, Colorado
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Electric Fund
Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 21,980,773	\$ 21,980,773	\$ 19,076,795	\$ (2,903,978)
Expenditures				
Transmission, distribution and collection	2,659,232	2,659,232	1,896,722	762,510
Commodities	16,000,000	16,000,000	12,687,191	3,312,809
General administration	571,238	571,238	390,980	180,258
In lieu of fees	2,800,000	2,800,000	3,054,708	(254,708)
Capital outlay	590,000	590,000	393,618	196,382
Total expenditures	22,620,470	22,620,470	18,423,219	4,197,251
Excess (deficiency) of operating revenues over expenditures	(639,697)	(639,697)	653,576	1,293,273
Other revenues				
Earnings on investments	38,000	38,000	476,878	438,878
Rents	28,680	28,680	28,680	-
Other revenues	53,400	53,400	244,720	191,320
Transfer in	519,617	519,617	-	(519,617)
Total other revenues	639,697	639,697	750,278	110,581
Change in net position - budgetary basis	\$ -	\$ -	1,403,854	\$ 1,403,854
Reconciliation to GAAP basis				
Capital outlay			393,618	
Depreciation			(853,654)	
Change in net position - GAAP basis			943,818	
Net position at beginning of year			17,579,901	
Net position at end of year			\$ 18,523,719	

See accompanying Independent Auditor's Report.

City of Fort Morgan, Colorado
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Water Fund
Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 8,719,645	\$ 8,719,645	\$ 9,600,551	\$ 880,906
Expenditures				
Transmission, distribution and collection	1,264,620	1,264,620	1,215,528	49,092
Treatment	3,023,223	3,023,223	2,923,299	99,924
General administration	510,596	510,596	491,275	19,321
Debt service:				
Principal	1,778,115	1,778,115	1,418,445	359,670
Interest	359,631	359,631	358,556	1,075
Capital outlay	1,860,000	1,860,000	1,123,607	736,393
Total expenditures	8,796,185	8,796,185	7,530,710	1,265,475
Excess (deficiency) of operating revenues over expenditures	(76,540)	(76,540)	2,069,841	2,146,381
Other revenues				
Earnings on investments	75,000	75,000	482,480	407,480
Other revenues	140,000	140,000	130,280	(9,720)
Total other revenues	215,000	215,000	612,760	397,760
Change in net position before contributions	138,460	138,460	2,682,601	2,544,141
Capital contributions				
Plant investment fees	4,000	4,000	32,780	28,780
Change in net position - budgetary basis	\$ 142,460	\$ 142,460	2,715,381	\$ 2,572,921
Reconciliation to GAAP basis				
Principal			1,418,445	
Capital outlay			1,123,607	
Depreciation			<u>(1,336,993)</u>	
Change in net position - GAAP basis			3,920,440	
Net position at beginning of year			<u>45,793,370</u>	
Net position at end of year			<u>\$ 49,713,810</u>	

See accompanying Independent Auditor's Report.

City of Fort Morgan, Colorado
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Gas Fund

Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 4,669,000	\$ 4,669,000	\$ 4,453,329	\$ (215,671)
Expenditures				
Transmission, distribution and collection	813,462	813,462	616,724	196,738
Commodities	2,500,000	2,500,000	2,031,282	468,718
General administration	474,989	474,989	457,409	17,580
In lieu of fees	700,000	700,000	710,949	(10,949)
Capital outlay	205,000	205,000	161,079	43,921
Total expenditures	4,693,451	4,693,451	3,977,443	716,008
Deficiency of operating revenues over expenditures	(24,451)	(24,451)	475,886	500,337
Other revenues				
Earnings on investments	20,100	20,100	181,639	161,539
Other revenues	35,000	35,000	48,461	13,461
Total other revenues	55,100	55,100	230,100	175,000
Change in net position - budgetary basis	\$ 30,649	\$ 30,649	705,986	\$ 675,337
Reconciliation to GAAP basis				
Capital outlay			161,079	
Depreciation			<u>(139,168)</u>	
Change in net position - GAAP basis			727,897	
Net position at beginning of year			<u>6,222,368</u>	
Net position at end of year			<u>\$ 6,950,265</u>	

See accompanying Independent Auditor's Report.

City of Fort Morgan, Colorado
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Waste Water Fund
Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Operating revenues				
Charges for services	\$ 2,242,310	\$ 2,242,310	\$ 2,229,183	\$ (13,127)
Expenditures				
Transmission, distribution and collection	480,648	480,648	248,844	231,804
Treatment	909,203	909,203	802,741	106,462
Administrative support allocation	385,862	385,862	356,134	29,728
In lieu of fees	96,000	96,000	106,134	(10,134)
Capital outlay	810,000	810,000	753,329	56,671
Total expenditures	2,681,713	2,681,713	2,267,182	414,531
Deficiency of operating revenues over expenditures	(439,403)	(439,403)	(37,999)	401,404
Other revenues				
Earnings on investments	40,000	40,000	170,208	130,208
Other revenues	65,000	65,000	63,392	(1,608)
Transfers in	314,403	314,403	-	(314,403)
Total other revenues	419,403	419,403	233,600	(185,803)
Change in net position before contributions	(20,000)	(20,000)	195,601	215,601
Capital contributions				
Plant investment fees	20,000	20,000	15,450	(4,550)
Change in net position - budgetary basis	\$ -	\$ -	211,051	\$ 211,051
Reconciliation to GAAP basis				
Capital outlay			753,329	
Depreciation			<u>(639,878)</u>	
Change in net position - GAAP basis			324,502	
Net position at beginning of year			<u>15,079,195</u>	
Net position at end of year			<u>\$ 15,403,697</u>	

See accompanying Independent Auditor's Report.

City of Fort Morgan, Colorado
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Sanitation Fund
Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 1,260,000	\$ 1,260,000	\$ 1,235,838	\$ (24,162)
Expenditures				
Transmission, distribution and collection	849,235	849,235	730,585	118,650
In lieu of fees	60,000	60,000	61,799	(1,799)
Administrative support allocation	219,048	219,048	208,562	10,486
Capital outlay	215,000	215,000	-	215,000
Total expenditures	1,343,283	1,343,283	1,000,946	342,337
Deficiency of operating revenues over expenditures	(83,283)	(83,283)	234,892	318,175
Other revenues				
Earnings on investments	7,050	7,050	67,531	60,481
Transfers in	75,233	75,233	-	(75,233)
Other income	1,000	1,000	1,000	-
Total other revenues	83,283	83,283	68,531	(14,752)
Change in net position - budgetary basis	\$ -	\$ -	303,423	\$ 303,423
Reconciliation to GAAP basis				
Depreciation			(74,832)	
Change in net position - GAAP basis			228,591	
Net position at beginning of year			2,268,499	
Net position at end of year			\$ 2,497,090	

See accompanying Independent Auditor's Report.

City of Fort Morgan, Colorado
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual (Non-GAAP Basis)
Self Insurance Fund
Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 3,659,078	\$ 3,659,078	\$ 3,532,755	\$ (126,323)
Miscellaneous revenue	-	-	13,476	13,476
Total operating revenues	3,659,078	3,659,078	3,546,231	(112,847)
Expenditures				
Self insurance premiums	709,340	709,340	1,273,817	(564,477)
Self insurance claims	3,300,370	3,300,370	2,570,550	729,820
General administration	120,000	120,000	121,665	(1,665)
Total expenditures	4,129,710	4,129,710	3,966,032	163,678
Excess (deficiency) of operating revenues over expenditures	(470,632)	(470,632)	(419,801)	50,831
Other financing sources				
Earnings on investments	4,000	4,000	21,288	17,288
Transfers in (out)	466,632	466,632	-	(466,632)
Total other financing sources	470,632	470,632	21,288	(449,344)
Change in net position - budgetary basis	\$ -	\$ -	(398,513)	\$ (398,513)
Net position at beginning of year			4,537,408	
Net position at end of year			\$ 4,138,895	

See accompanying Independent Auditor's Report.

City of Fort Morgan, Colorado
Schedule of Changes in Fiduciary Net Position
Budget and Actual (Non-GAAP Basis)
Cemetery Perpetual Care Fund
Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Additions				
Charges for services	\$ 7,700	\$ 7,700	\$ 10,091	\$ 2,391
Earnings on investments	2,750	2,750	10,186	7,436
Total additions	10,450	10,450	20,277	9,827
Deductions				
Transfers out	(3,000)	(3,000)	-	3,000
Change in fiduciary net position - budgetary basis	\$ 7,450	\$ 7,450	20,277	\$ 12,827
Fiduciary net position at beginning of year			684,357	
Fiduciary net position at end of year			\$ 704,634	

See accompanying Independent Auditor's Report.

City of Fort Morgan, Colorado
Schedule of Changes in Fiduciary Net Position
Budget and Actual (Non-GAAP Basis)
Riverview Commons GID Fund
Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Additions				
Taxes	\$ 37,500	\$ 37,500	\$ 29,003	\$ (8,497)
Total additions	37,500	37,500	29,003	(8,497)
Deductions				
Community development and public works	(37,500)	(37,500)	(29,003)	8,497
Total deductions	(37,500)	(37,500)	(29,003)	8,497
Change in fiduciary net position - budgetary basis	\$ -	\$ -	\$ -	\$ -
Fiduciary net position at beginning of year			<u>(93,522)</u>	
Fiduciary net position at end of year			<u>\$ (93,522)</u>	

See accompanying Independent Auditor's Report.

Compliance Section

The public report burden for this information collection is estimated to average 380 hours annually.

LOCAL HIGHWAY FINANCE REPORT		City or County: City of Fort Morgan Morgan County
		YEAR ENDING : December 2019
This Information From The Records Of the City of Fort Morgan:	Prepared By: Phone:	Christina R. Bostron Gen. Actgng Mngr 970.542.3964

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	10,067,134
3. Other local imposts (from page 2)	649,579
4. Miscellaneous local receipts (from page 2)	64,507
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	10,781,220
B. Private Contributions	
C. Receipts from State government (from page 2)	725,657
D. Receipts from Federal Government (from page 2)	0
E. Total receipts (A.7 + B + C + D)	11,506,877

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	6,961,045
2. Maintenance:	536,443
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	44,138
c. Other Street Lighting	1,111
d. Total (a. through c.)	45,249
4. General administration & miscellaneous	883,767
5. Highway law enforcement and safety	3,080,373
6. Total (1 through 5)	11,506,877
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	0
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	11,506,877

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		11,506,877	11,506,877		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2019	
II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	51,294
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	649,579	g. Other Misc. Receipts	
6. Total (1. through 5.)	649,579	h. Other Highway Maintenance	13,213
c. Total (a. + b.)	649,579	i. Total (a. through h.)	64,507
	(Carry forward to page 1)		(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	432,779	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	44,365	d. Federal Transit Admin	
d. Other (Specify) - Cigarette Tax	23,839	e. U.S. Corps of Engineers	
e. Other (Specify) - Severance Tax	224,674	f. Other Federal	
f. Total (a. through e.)	292,878	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	725,657	3. Total (1. + 2.g)	
			(Carry forward to page 1)
		ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)
		TOTAL (c)	
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs		68,956	68,956
c. Construction:			
(1). New Facilities		4,074,156	4,074,156
(2). Capacity Improvements			0
(3). System Preservation		2,817,933	2,817,933
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)		6,892,089	6,892,089
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)		6,961,045	6,961,045
			(Carry forward to page 1)
Notes and Comments:			



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and Members of the City Council
City of Fort Morgan, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Morgan, Colorado (the "City"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 7, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ACM LLP

Greeley, Colorado
July 7, 2020



Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Honorable Mayor and Members of the City Council
City of Fort Morgan, Colorado

Report on Compliance for Each Major Federal Program

We have audited the City of Fort Morgan, Colorado's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.



Report on Internal Control over Compliance

Management of the City of Fort Morgan, Colorado is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

The City of Fort Morgan, Colorado's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The City of Fort Morgan, Colorado's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

ACM LLP

Greeley, Colorado
July 7, 2020

City of Fort Morgan
Schedule of Findings and Questioned Costs
December 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of major federal programs:

CFDA/Contract Number

Name of Federal Program or Cluster

20.106

Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

City of Fort Morgan
Schedule of Findings and Questioned Costs
December 31, 2019

Section II - Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

2019-001 **U.S. Department of Transportation**
CFDA No. 20.106 - Airport Improvement Program
Federal Award No.: 3-08-0024-012-2016, 3-08-0024-013-2018, 3-08-0024-014-2019
Cash Management
Reporting
Significant Deficiency in Internal Control Over Compliance

Criteria: 2 C.F.R., 200.303 states that the City, as a recipient of federal funds, must establish and maintain internal controls over compliance that are designed to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance in a federal program on a timely basis.

Condition: The City of Fort Morgan does not have an internal control structure with adequate segregation of duties to prevent or detect and correct noncompliance related to the submission of required reporting for the grant.

Question Costs: None.

Context: As part of our audit procedures, we evaluated the internal control structure surrounding the report submission process for the SF-425 Federal Financial Report that is required under the grant agreement. In addition, we reviewed the internal controls surrounding the requests for reimbursements submitted under the grant using Form SF-270 - Outlay Report and Request for Reimbursement for Construction Programs. Specifically, we noted that the preparation, review and submission of the reports are completed by the same individual.

Effect: The City's internal controls over the SF-425 Federal Financial Report filings and the cash management reimbursement requests SF-270 - Outlay Report and Request for Reimbursement for Construction Programs are not designed to prevent or detect and correct errors in reporting and submission.

Cause: For expediency in submitting reports for the City, one individual has been preparing, reviewing, and submitting the SF-425 Federal Financial Reports and SF-270 - Outlay Report and Request for Reimbursement for Construction Programs.

Identification as a Repeat Finding: Not applicable.

Recommendation: We recommend the City enforce their policies and procedures so that one individual will not prepare and submit the SF-425 Federal Financial Reports and SF-270 - Outlay Report and Request for Reimbursement for Construction Programs without separate review and approval of the reports.

Views of Responsible Officials: The submission process for Federal grants is handled electronically. This is likely why the approval process is not clear cut. Our Public Works Director would electronically send the requests in to the FAA or CDOT. If there were any issues, they would send it back. Corrections were made, and it was resubmitted.

City of Fort Morgan
Schedule of Findings and Questioned Costs
December 31, 2019

We have revised our process so that the submissions will be printed out before sent and reviewed and signed off on by our General Accounting Manager or Treasurer. This approved document will be saved in our document management and the submitter will go back in and send the request for payment. Payment requests will not be submitted without proper authorization.

Section IV - Prior Year Findings

There were no findings in the prior year that were required for reporting.



Management's Corrective Action Plan December 31, 2019

Auditor Finding 2019-001

U.S. Department of Transportation

CFDA No. 20.106 - Airport Improvement Program

Federal Award No.: 3-08-0024-012-2016, 3-08-0024-013-2018, 3-08-0024-014-2019

Cash Management

Reporting

Significant Deficiency in Internal Control Over Compliance

Criteria: 2 C.F.R., 200.303 states that the City, as a recipient of federal funds, must establish and maintain internal controls over compliance that are designed to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance in a federal program on a timely basis.

Recommendation: The auditors recommend the City evaluate their policies and procedures regarding federal reports to ensure there are separate individuals who are knowledgeable with respect to SF-425 Federal Financial Reports and SF-270 - Outlay Report and Request for Reimbursement for Construction Programs and can create a system where separate individuals are responsible for the preparation, review and submission of such reports.

Action Plan: We have revised our process so that the submissions will be printed out before sent and reviewed and signed off on by our General Accounting Manager or Treasurer. This approved document will be saved in our document management and the submitter will go back in and send the request for payment. Payment requests will not be submitted without proper authorization.

Persons Responsible for Action Plan: Jean Kinney, City Treasurer

City Planned Implementation Date: July 1, 2020

City of Fort Morgan
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	2019 Federal Expenditures
Department of Justice			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 1,302
Passed through the Colorado Department of Criminal Justice:			
Edward Bryne Memorial Justice Assistance Program			
Alternative Light Source	16.738	2017-DJ-18-01-104-1	17,907
Hostage-Crisis Negotiation Communication Equipment	16.738	2017-DJ-17-01-53-1	24,190
Total Department of Justice			43,399
Department of Transportation			
Airport Improvement Program	20.106	N/A	727,167
Total Department of Transportation			727,167
Total Expenditures of Federal Awards			\$ 770,566

See accompanying Independent Auditor's Report.

City of Fort Morgan
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of Fort Morgan, Colorado (the "City") under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allocable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Subrecipients

There were no subrecipients of federal awards during the year ended December 31, 2019.

5. Airport Improvement Projects

The following is a schedule of the activity in the Airport Improvement Projects for the year ended December 31, 2019:

Airport Improvement Project Description	Award Amount	2018 and Prior	For the Year Ended December 31, 2019		For the Year Ended December 31, 2019	
			Federal Portion	Award Balance	Local Match	
AIP-12 DOT-FA16NM-1051 3-08-0024-012-2016 <i>Conduct Airport Master Plan Study</i>	\$ 150,000	\$ 144,757	\$ 3,758	\$ 1,485	\$ 251	
AIP-13 DOT-FA18NM-1041 3-08-0024-013-2018 <i>Reconstruct Apron; Expand General Aviation Apron (Phase I, Design)</i>	128,980	90,075	24,880	14,025	1,659	
AIP-14 DOT-FA19NM-1011 3-08-0024-014-2019 <i>Reconstruct Apron and Expand General Aviation Apron (Phase II, Construction)</i>	959,182	-	698,528	260,654	46,569	
Totals	\$ 1,238,162	\$ 234,832	\$ 727,166	\$ 276,164	\$ 48,479	