

NEW ISSUE

Ratings: Moody's "Aaa" (State of Utah Guaranty; underlying "A1")
See "STATE OF UTAH GUARANTY" and "MISCELLANEOUS—Bond Ratings" herein.

In the opinion of Farnsworth Johnson PLLC, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2018 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from taxes imposed by the Utah Individual Income Tax Act. In the further opinion of Bond Counsel, interest on the 2018 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2018 Bonds.

\$49,000,000
Board of Education of
Morgan County School District, Utah
General Obligation School Building Bonds
(Utah School Bond Guaranty Program), Series 2018

The \$49,000,000 General Obligation School Building Bonds (Utah School Bond Guaranty Program), Series 2018 are issuable by the Board of Education of Morgan County School District, Utah, as fully-registered bonds and, when initially issued, will be in book-entry only form, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York. DTC will act as securities depository for the 2018 Bonds.

Principal of and interest on the 2018 Bonds (interest payable February 1 and August 1 of each year, commencing February 1, 2019) are payable by ZB, National Association, dba Zions Bank, Corporate Trust Department, Salt Lake City, Utah, as Paying Agent, to the registered owners thereof, initially DTC. See "THE 2018 BONDS—Book-Entry System" herein.

The 2018 Bonds are subject to optional redemption prior to maturity. See "THE 2018 BONDS—Redemption Provisions" herein.

The 2018 Bonds will be general obligations of the Board payable from the proceeds of ad valorem taxes to be levied without limitation as to rate or amount on all taxable property in Morgan County School District, Utah, fully sufficient to pay the 2018 Bonds as to both principal and interest.

Payment of the principal of and interest on the 2018 Bonds when due is guaranteed by the full faith and credit and unlimited ad valorem taxing power of the

State of Utah

under the provisions of the Utah School Bond Guaranty Act. See "STATE OF UTAH GUARANTY" herein.

Dated: Date of Delivery¹

Due: August 1, as shown on inside front cover

See the inside front cover for the maturity schedule of the 2018 Bonds.

The 2018 Bonds were awarded pursuant to competitive bidding received by means of the *PARITY*® electronic bid submission system on February 15, 2018 as set forth in the OFFICIAL NOTICE OF BOND SALE (dated February 5, 2018) to Robert W. Baird & Co., Inc., Milwaukee, Wisconsin at a "true interest rate" of 3.265%.

Zions Public Finance, Inc., Salt Lake City, Utah, acted as Municipal Advisor.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire OFFICIAL STATEMENT to obtain information essential to the making of an informed investment decision.

This OFFICIAL STATEMENT is dated February 15, 2018, and the information contained herein speaks only as of that date.

¹ The anticipated date of delivery is Tuesday, February 27, 2018.

Morgan County School District, Utah

\$49,000,000

General Obligation School Building Bonds (Utah School Bond Guaranty Program), Series 2018

Dated: Date of Delivery¹

Due: August 1, as shown below

Due August 1	CUSIP® 617307	Principal Amount	Interest Rate	Yield/ Price
2019.....	DH3	\$ 600,000	5.00%	1.45%
2020.....	DJ9	600,000	5.00	1.60
2021.....	DK6	650,000	5.00	1.74
2022.....	DL4	700,000	5.00	1.90
2023.....	DM2	725,000	5.00	2.05
2024.....	DN0	750,000	5.00	2.15
2025.....	DP5	800,000	5.00	2.30
2026.....	DQ3	850,000	5.00	2.40
2027.....	DR1	2,925,000	5.00	2.50
2028.....	DS9	3,075,000	5.00	2.60 ^c
2029.....	DT7	3,200,000	3.00	2.80 ^c
2030.....	DU4	3,300,000	3.00	100.00
2031.....	DV2	3,400,000	3.00	3.10
2032.....	DW0	3,500,000	3.00	3.20
2033.....	DX8	3,625,000	4.00	3.20 ^c
2034.....	DY6	3,775,000	4.00	3.24
2035.....	DZ3	3,925,000	3.25	3.35
2036.....	EA7	4,050,000	4.00	3.30 ^c
2037.....	EB5	4,200,000	3.375	3.45
2038.....	EC3	4,350,000	3.50	3.50

¹ The anticipated date of delivery is Tuesday, February 27, 2018.

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^c Priced to par call on August 1, 2027.

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This OFFICIAL STATEMENT does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of, the 2018 Bonds (as defined herein), by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained herein, and if given or made, such other informational representations must not be relied upon as having been authorized by any of: the Board of Education of Morgan County School District, Utah (the “Board”); Zions Public Finance, Inc., Salt Lake City, Utah (as Municipal Advisor); ZB, National Association, dba Zions Bank, Corporate Trust Department, Salt Lake City, Utah, (as Paying Agent); the State of Utah; the bidder(s); or any other entity. The information contained herein has been obtained from the Board, The Depository Trust Company, New York, New York, the State of Utah, and from other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this OFFICIAL STATEMENT nor the issuance, sale, delivery or exchange of the 2018 Bonds, shall under any circumstance create any implication that there has been no change in the affairs of the Board, since the date hereof.

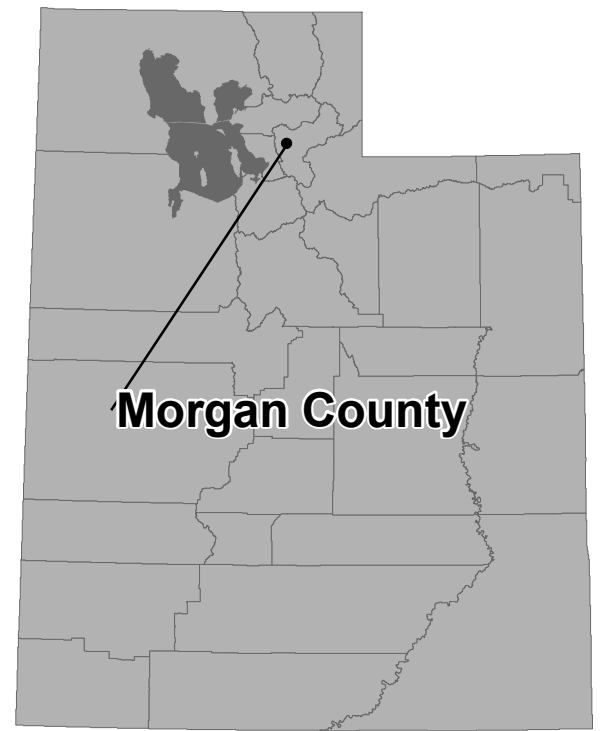
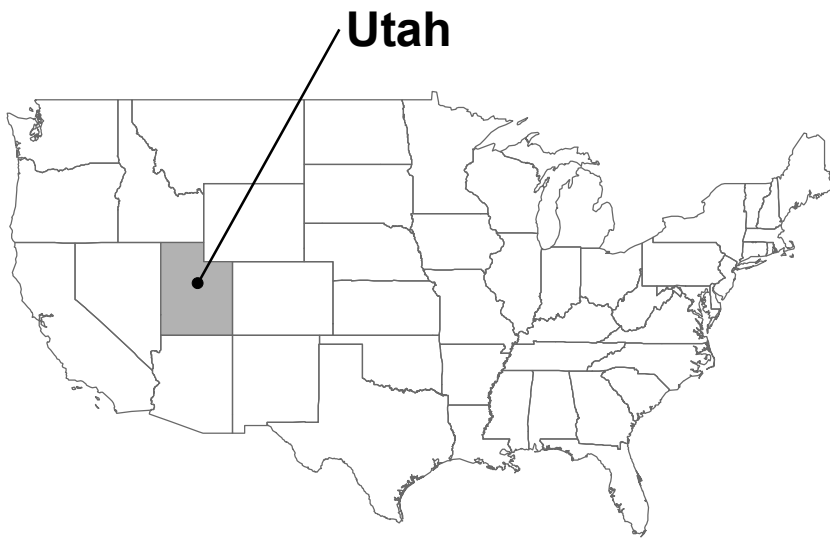
The 2018 Bonds have not been registered under the Securities Act of 1933, as amended, or any state securities laws in reliance upon exemptions contained in such act and laws. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the accuracy or adequacy of this OFFICIAL STATEMENT. Any representation to the contrary is unlawful.

The yields/prices at which the 2018 Bonds are offered to the public may vary from the initial reoffering yields/prices on the inside cover page of this OFFICIAL STATEMENT. In addition, the successful bidder(s) may allow concessions or discounts from the initial offering prices of the 2018 Bonds to dealers and others. In connection with the offering of the 2018 Bonds, the successful bidder(s) may engage in transactions that stabilize, maintain, or otherwise affect the price of the 2018 Bonds. Such transactions may include overallocments in connection with the purchase of 2018 Bonds, the purchase of 2018 Bonds to stabilize their market price and the purchase of 2018 Bonds to cover the successful bidder’s(s’) short positions. Such transactions, if commenced, may be discontinued at any time.

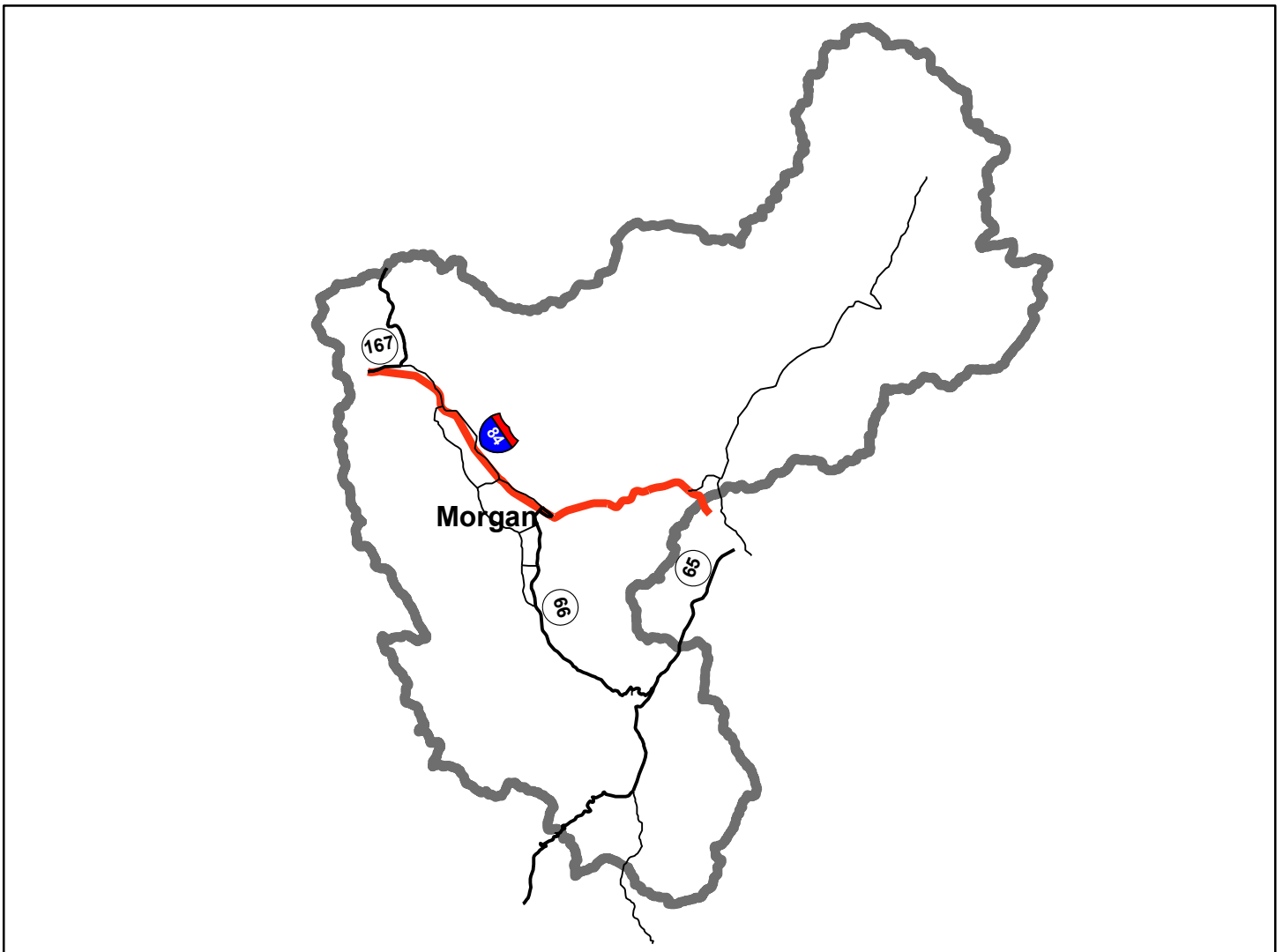
Forward-Looking Statements. Certain statements included or incorporated by reference in this OFFICIAL STATEMENT may constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as “plan,” “project,” “forecast,” “expect,” “estimate,” “budget” or other similar words. ***The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Board does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.***

The CUSIP® (Committee on Uniform Securities Identification Procedures) identification numbers are provided on the inside cover page of this OFFICIAL STATEMENT and are being provided solely for the convenience of bondholders only, and the Board does not make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP® numbers are subject to being changed after the issuance of the 2018 Bonds because of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2018 Bonds.

The information available at Web sites referenced in this OFFICIAL STATEMENT has not been reviewed for accuracy and completeness. Such information has not been provided in connection with the offering of the 2018 Bonds and is not a part of this OFFICIAL STATEMENT.



Morgan County School District



OFFICIAL STATEMENT RELATED TO

\$49,000,000

Board of Education of Morgan County School District, Utah

General Obligation School Building Bonds (Utah School Bond Guaranty Program), Series 2018

INTRODUCTION

This introduction is only a brief description of the 2018 Bonds, as hereinafter defined, the security and source of payment for the 2018 Bonds and certain information regarding the Board of Education (the “Board”) of Morgan County School District, Utah (the “District”). The information contained herein is expressly qualified by reference to the entire OFFICIAL STATEMENT, including the appendices. Investors are urged to make a full review of the entire OFFICIAL STATEMENT.

See the following appendices that are attached hereto and incorporated herein by reference: “APPENDIX A—FINANCIAL STATEMENTS OF MORGAN COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2017;” “APPENDIX B—PROPOSED FORM OF OPINION OF BOND COUNSEL;” “APPENDIX C—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING;” and “APPENDIX D—BOOK-ENTRY SYSTEM.”

When used herein the terms “Fiscal Year[s] 20YY” or “Fiscal Year[s] End[ed][ing] June 30, 20YY” shall refer to the year beginning on July 1 and ending on June 30 of the year indicated. The terms “Calendar Year[s] 20YY”; “Calendar Year[s] End[ed][ing] December 31, 20YY”; or “Tax Year[s] 20YY” shall refer to the year beginning on January 1 and ending on December 31 of the year indicated. Capitalized terms used but not otherwise defined herein have the same meaning as given to them in the Resolution, as hereinafter defined.

Public Sale/Electronic Bid

The 2018 Bonds were awarded pursuant to competitive bidding received by means of the PARITY® electronic bid submission system on February 15, 2018 as set forth in the OFFICIAL NOTICE OF BOND SALE (dated February 5, 2018) to Robert W. Baird & Co., Inc., Milwaukee, Wisconsin at a “true interest rate” of 3.265%.

Morgan County School District, Utah

The District shares common boundaries with Morgan County, Utah (the “County”). The County was established in 1896 and is situated in the northern portion of the State of Utah (the “State”), located approximately 50 miles northeast of Salt Lake City, Utah. The County is bordered by Weber and Davis counties on the west, Rich County on the north, Summit County on the east and Salt Lake County on the south and comprises an area of approximately 610 square miles. The 2016 U.S. Census Bureau indicated that 11,437 people resided in the County. See location map above. See “MORGAN COUNTY SCHOOL DISTRICT, UTAH” below.

The 2018 Bonds

This OFFICIAL STATEMENT, including the cover page, introduction and appendices, provides information about the issuance and sale by the Board of its \$49,000,000 General Obligation School Building Bonds (Utah School Bond Guaranty Program), Series 2018 (the “2018 Bond” or “2018 Bonds”), initially issued in book–entry form only.

Security

The 2018 Bonds will be general obligations of the Board, payable from the proceeds of ad valorem taxes to be levied, without limitation as to rate or amount, on all taxable property in the District, fully sufficient to pay the 2018 Bonds as to both principal and interest. See “SECURITY AND SOURCES OF PAYMENT” and “FINANCIAL INFORMATION REGARDING MORGAN COUNTY SCHOOL DISTRICT, UTAH—Tax Levy And Collection” below.

Payment of the principal of and interest on the 2018 Bonds when due is guaranteed by the full faith and credit and unlimited taxing power of the State under the provisions of the Utah School Bond Guaranty Act, Title 53A, Chapter 28 (the “Guaranty Act”), Utah Code Annotated 1953, as amended (the “Utah Code”). See “STATE OF UTAH GUARANTY” below.

Authorization For And Purpose Of The 2018 Bonds

Authorization. The 2018 Bonds are being issued pursuant to (i) the Local Government Bonding Act, Title 11, Chapter 14 (the “Local Government Bonding Act”), Utah Code; the Registered Public Obligations Act, Title 15, Chapter 7, Utah Code; and the applicable provisions of Title 53A of the Utah Code, (ii) the resolution of the Board adopted on January 9, 2018 (the “Resolution”), which provides for the issuance of the 2018 Bonds, and (iii) other applicable provisions of law.

The 2018 Bonds were authorized at a special bond election held for that purpose on November 7, 2017 (the “2017 Bond Election”). The proposition submitted to the voters of the District was as follows:

Shall the Board of Education of Morgan County School District, Utah, be authorized to issue General Obligation Bonds in a principal amount not to exceed Forty-Nine Million Dollars (\$49,000,000) for the purpose of paying all or a portion of the costs to acquire land; acquiring, constructing, furnishing and equipping new school facilities; improving or rebuilding existing facilities; and the authorization and issuance of the Bonds due and payable with a term not to exceed twenty-one (21) years from the date or dates of issuance of the Bonds?

At the 2017 Bond Election there were 1,878 votes cast in favor of the issuance of bonds and 1,721 votes cast against the issuance of bonds, for a total vote count of 3,599, with approximately 52.2% in favor of the issuance of bonds.

The 2018 Bonds are the first and only block of bonds to be issued from the 2017 Bond Election. After the sale and delivery of the 2018 Bonds the Board will have no remaining authorized unissued bonds from the 2017 Bond Election.

Purpose. The 2018 Bonds are being issued to fund various equipment, acquisition and construction projects as set forth in the 2017 Bond Election proposition and to pay certain costs of issuance. See “THE 2018 BONDS—Sources And Uses Of Funds” below.

Redemption Provisions

The 2018 Bonds are subject to optional redemption prior to maturity. See “THE 2018 BONDS—Redemption Provisions” below.

Registration, Denominations, Manner Of Payment

The 2018 Bonds are issuable only as fully-registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the 2018 Bonds. Purchases of 2018 Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof, through brokers and dealers who are, or who act through, DTC’s Direct Participants (as defined herein). Beneficial Owners (as defined herein) of the 2018 Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the 2018 Bonds. “Direct Participants,” “Indirect Participants” and “Beneficial Owners” are defined under “APPENDIX D—BOOK-ENTRY SYSTEM.”

Principal of and interest on the 2018 Bonds (interest payable February 1 and August 1 of each year, commencing February 1, 2019) are payable by ZB, National Association, dba Zions Bank, Corporate Trust Department, Salt Lake City, Utah, (“Zions Bank”), as paying agent (the “Paying Agent”) for the 2018 Bonds, to the registered owners of the 2018 Bonds. So long as Cede & Co. is the registered owner of the 2018 Bonds, DTC will, in turn, remit such principal and interest to its Direct Participants, for subsequent disbursements to the Beneficial Owners of the 2018 Bonds, as described in “APPENDIX D—BOOK-ENTRY SYSTEM.”

So long as DTC or its nominee is the registered owner of the 2018 Bonds, neither the Board nor the Paying Agent will have any responsibility or obligation to any Direct or Indirect Participants of DTC, or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, Indirect Participants or the Beneficial Owners of the 2018 Bonds. Under these same circumstances, references herein and in the Resolution to the “Bondowners” or “Registered Owners” of the 2018 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2018 Bonds.

Tax-Exempt Status Of The 2018 Bonds

In the opinion of Farnsworth Johnson PLLC, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2018 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from taxes imposed by the Utah Individual Income Tax Act. In the further opinion of Bond Counsel, interest on the 2018 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2018 Bonds.

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Professional Services

In connection with the issuance of the 2018 Bonds, the following have served the Board in the capacity indicated.

Attorney for the Board

Lear & Lear LLP
808 E South Temple
Salt Lake City UT 84102
801.883.8001
heidi.alder@learlaw.com

Bond Counsel

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Provo UT 84601
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Corporate Trust Department
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carrie.sandoval@zionsbancorp.com

Municipal Advisor

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801.844.7373 | f 801.844.4484
marcus.keller@zionsbancorp.com

Conditions Of Delivery, Anticipated Date, Manner, And Place Of Delivery

The 2018 Bonds are offered, subject to prior sale, when, as and if issued and received by the successful bidder(s), subject to the approval of legality of the 2018 Bonds by Farnsworth Johnson PLLC, Bond Counsel to the Board, and certain other conditions. Certain legal matters will be passed on for the Board by the attorney for the Board, Lear & Lear LLP, Salt Lake City, Utah. It is expected that the 2018 Bonds, in book-entry form only, will be available for delivery in Salt Lake City, Utah for deposit with Zions Bank, a “fast agent” of DTC, on or about Tuesday, February 27, 2018.

Continuing Disclosure Undertaking

The Board will enter a continuing disclosure undertaking for the benefit of the Beneficial Owners of the 2018 Bonds. For a detailed discussion of this disclosure undertaking, previous undertakings and timing of submissions see “CONTINUING DISCLOSURE UNDERTAKING” below and “APPENDIX C—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

Basic Documentation

This OFFICIAL STATEMENT speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the Board, the District, the 2018 Bonds, and the Resolution are included in this OFFICIAL STATEMENT. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Resolution are qualified in their entirety by reference to such document, and references herein to the 2018 Bonds are qualified in their entirety by reference to the form thereof included in the Resolution. The “basic documentation” which includes the Resolution, the closing documents and other documentation, authorizing the issuance of the 2018 Bonds and establishing the rights and responsibilities of the Board and other parties to the transaction, may be obtained from the “contact persons” as indicated below.

Contact Persons

As of the date of this OFFICIAL STATEMENT, additional requests for information may be directed to Zions Public Finance, Inc., Salt Lake City, Utah the Municipal Advisor to the Board (the “Municipal Advisor”):

Marcus Keller, Assistant Vice President, marcus.keller@zionsbancorp.com

Alex Buxton, Vice President, alex.buxton@zionsbancorp.com

Zions Public Finance, Inc.
Zions Bank Building
One S Main St 18th Fl
Salt Lake City UT 84133–1109
801.844.7373 | f 801.844.4484

As of the date of this OFFICIAL STATEMENT, the chief contact person for the Board concerning the 2018 Bonds is:

D’Lynn Poll, Business Administrator

dpoll@morgansd.org

Morgan County School District
240 E Young St (PO Box 530)
Morgan UT 84050
801.829.3411 | f 801.829.3531

As of the date of this OFFICIAL STATEMENT, the chief contact person for the State concerning the State guaranty for the 2018 Bonds is:

David Damschen, Utah State Treasurer, ddamschen@utah.gov

Utah State Treasurer’s Office
350 N State St Ste C–180
(PO Box 142315)
Salt Lake City UT 84114–2315
801.538.1042 | f 801.538.1465

SECURITY AND SOURCES OF PAYMENT

The 2018 Bonds will be general obligations of the Board, payable from the proceeds of ad valorem taxes to be levied without limitation as to rate or amount on all the taxable property in the District, fully sufficient to pay the 2018 Bonds as to both principal and interest.

See “FINANCIAL INFORMATION REGARDING MORGAN COUNTY SCHOOL DISTRICT, UTAH—Property Tax Matters” and “STATE OF UTAH SCHOOL FINANCE” below.

Payment of the principal of and interest on the 2018 Bonds when due is guaranteed by the full faith and credit and unlimited ad valorem taxing power of the State under the provisions of the Guaranty Act. See “STATE OF UTAH GUARANTY” below.

STATE OF UTAH GUARANTY

Guaranty Provisions

Payment of the principal of and interest on the 2018 Bonds when due is guaranteed by the full faith and credit and unlimited ad valorem taxing power of the State under the provisions of the Guaranty Act. The Guaranty Act establishes the Utah School Bond Default Avoidance Program (the “Program” or the “Utah School Bond Guaranty Program”). The State’s guaranty is contained in Section 53A–28–201(2)(a) of the Guaranty Act, which provides as follows:

The full faith and credit and unlimited taxing power of the state is pledged to guarantee full and timely payment of the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, bonds as such payments shall become due (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration).

In addition, the Guaranty Act provides that the State pledges to and agrees with the holders of bonds guaranteed under the Guaranty Act that the State will not alter, impair, or limit the rights vested by the Program with respect to said bonds until said bonds, together with applicable interest, are fully paid and discharged. However, this pledge does not preclude an alteration, impairment, or limitation if adequate provision is made by law for the protection of the holders of the bonds.

The Guaranty Act further provides that (i) the guaranty of the State does not extend to the payment of any redemption premium due on any bonds guaranteed under the Guaranty Act and (ii) bonds which are guaranteed by the State for which payment is provided by the deposit of direct obligations of the United States government under the provisions of the Refunding Bond Act, Title 11, Chapter 27, Utah Code, will no longer be secured by the State’s guaranty subsequent to such provision for payment. This is likely to occur only if such bonds are refunded in advance of their maturity. In such an event, such bonds would then be secured solely by the obligations pledged for their payment and not by the State’s guaranty.

Guaranty Procedures

Under the Guaranty Act, the Business Administrator of the Board (the “Business Administrator”) is required to transfer moneys sufficient for scheduled debt service payments on the 2018 Bonds to the Paying Agent at least 15 days before any principal or interest payment date for the 2018 Bonds. If the Business Administrator is unable to transfer the scheduled debt service payment to the Paying Agent at least 15 days before the payment date, the Business Administrator must immediately notify the Paying Agent and the Utah State Treasurer (the “State Treasurer”) by (i) telephone and (ii) a writing sent by (a) facsimile transmission and (b) first-class United States mail. In addition, if the Paying Agent has not received the scheduled debt service payment at least 15 days prior to the scheduled debt service payment date for the 2018 Bonds, then the Paying Agent must at least 10 days before the scheduled debt service payment notify the State Treasurer of that failure by (i) telephone and (ii) a writing sent by (a) facsimile transmission and (b) first-class United States mail. The Guaranty Act further provides that if sufficient moneys to pay the scheduled debt service payment have not been transferred to the Paying Agent, then the State Treasurer shall, on or before the scheduled payment date, transfer sufficient moneys to the Paying Agent to make the scheduled debt service payment. Payment by the State of a debt service payment on the 2018 Bonds discharges the obligation of the Board to the bondholders for that payment, to the extent of the State’s payment, and transfers the Board’s obligation for that payment to the State.

In the event the State is called upon to make payment of principal of or interest on the 2018 Bonds on behalf of the Board, the State will use cash on hand (or from other legally available moneys) to make the payment. Under the Guaranty Act, the State Treasurer is required to immediately intercept any payments

from the Uniform School Fund or from any other source of operating moneys provided by the State to the Board. The intercepted payments will be used to reimburse the State until all obligations of the Board to the State, including interest and penalties, are paid in full. The State does not currently expect to have to advance moneys to the Board pursuant to its guaranty. If, however, at the time the State is required to make a debt service payment under its guaranty on behalf of the Board, sufficient moneys are not on hand and available for that purpose, then the Guaranty Act provides that the State may seek a short-term loan from the Permanent School Fund sufficient to make the required payment (the Permanent School Fund is not required to make such a loan) or issue short-term State debt in the form of general obligation notes as provided in the Guaranty Act. The provisions of the Guaranty Act relating to short-term debt provide that such debt will carry the full faith and credit of the State and will be issued with a maturity of not more than 18 months so that the State could, if necessary, obtain liquidity financing on short notice. Under the State Constitution, debt incurred for this purpose does not count toward the constitutional debt limit of the State.

As of the date of this OFFICIAL STATEMENT, the State has guaranteed the following (statistics include this issuer but not this bond issue) under the Guaranty Act:

Number of school districts (out of 41 school districts in the State)	40
Number of total bond issues	336
Aggregate total principal amount outstanding	\$3,327,044,000

The approximate aggregate total annual principal and interest payments (interest payments include anticipated federal interest subsidies on “Build America Bonds” and “Qualified School Construction Bonds”) due on bonds guaranteed by the State under the Program during Fiscal Years 2018 through 2023, inclusive, is as follows (currently, the Program’s annual principal and interest payments extend to Fiscal Year 2037):

Fiscal Year 2018	\$373,196,312
Fiscal Year 2019	376,580,870
Fiscal Year 2020	352,350,383
Fiscal Year 2021	349,152,768
Fiscal Year 2022	317,646,825
Fiscal Year 2023	296,764,156

(Source: Zions Public Finance, Inc.)

Purpose Of The Guaranty

The Guaranty Act is for the protection of the bondholders. Ultimate liability for the payment of the 2018 Bonds remains with the Board. Accordingly, the Guaranty Act contains provisions, including interception of State aid to the Board, possible action to compel levy of a tax sufficient to reimburse the State for any payments made to bondholders pursuant to its guaranty and various oversight provisions to assure that the Board, and not the State, will ultimately be responsible for debt service on the 2018 Bonds.

The Guaranty Act also charges the State Superintendent of Public Instruction with the responsibility to monitor and evaluate the fiscal solvency of each school board under the Program. He or she must immediately report to the Governor and the State Treasurer any circumstances suggesting that a school district will be unable to timely meet its debt service obligations and recommend a course of remedial action.

No Call On State Guaranty

Since the Guaranty Act's inception in January 1997, the State has not been called upon to pay the principal of and interest on any bonds guaranteed under the Guaranty Act.

State Of Utah—Financial And Operating Information

The Comprehensive Annual Financial Report of the State for Fiscal Year 2017 (the “State CAFR”), its most recent official statements and current continuing disclosure information for its general obligation (CUSIP® 917542) and lease revenue (CUSIP® 917547) bond debt are currently on file with EMMA (<http://www.emma.msrb.org/>). The financial and operating information with respect to the State contained in the State CAFR, such official statements and continuing disclosure information, and the Master Agreement are hereby included by reference in this OFFICIAL STATEMENT; provided, however, the Board has not reviewed or approved and taken the responsibility for such financial and operating information incorporated herein by reference.

As of the date of this OFFICIAL STATEMENT, the outstanding general obligation bonds of the State are rated “AAA” by Fitch Ratings (“Fitch”), “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”), and “AAA” by S&P Global Ratings (“S&P”).

CONTINUING DISCLOSURE UNDERTAKING

Continuing Disclosure Undertaking For 2018 Bonds

The Board will enter into a Continuing Disclosure Undertaking (the “Disclosure Undertaking”) for the benefit of the Beneficial Owners of the 2018 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access system (“EMMA”) pursuant to the requirements of paragraph (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and other terms of the Disclosure Undertaking, including termination, amendment and remedies, are set forth in the proposed form of Disclosure Undertaking in “APPENDIX C—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

Based on prior disclosure undertakings the Board submits its annual financial statements for Fiscal Year Ending June 30 and other operating and financial information not more than 185 days from the end of the Fiscal Year (on or before January 1). The Board will submit the Fiscal Year 2018 financial statements and other required operating and financial information for the 2018 Bonds on or before January 1, 2019, and annually thereafter on or before each January 1.

A failure by the Board to comply with the Disclosure Undertaking will not constitute a default under the Resolution and Beneficial Owners of the 2018 Bonds are limited to the remedies described in the Disclosure Undertaking. See “APPENDIX C—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING.” A failure by the Board to comply with the Disclosure Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2018 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2018 Bonds and their market price.

The State has entered a Master Continuing Disclosure Agreement (the “Master Agreement”) for the benefit of the Beneficial Owners of the bonds, including the 2018 Bonds, guaranteed by the State pursuant to the Guaranty Act. See “STATE OF UTAH GUARANTY” below. In the Master Agreement, the State has undertaken to send certain information annually and to provide notice of certain events to

MSRB through EMMA pursuant to the Rule, but solely as to its responsibilities under its guaranty. See “STATE OF UTAH GUARANTY—State Of Utah—Financial And Operating Information” below. Based on prior disclosure undertakings the State submits its Fiscal Year Ending June 30 CAFR and other operating and financial information on or before January 15 (on or before 199 days from the end of the Fiscal Year). The State has agreed to submit the State’s Fiscal Year 2018 CAFR and other operating and financial information on or before January 15, 2019 (and annually thereafter on or before each January 15).

The Board is responsible for continuing disclosure under the Rule for all other matters relating to the 2018 Bonds.

Bond Counsel expresses no opinion as to whether the Disclosure Undertaking or the Master Agreement complies with the requirements of the Rule.

THE 2018 BONDS

General

The 2018 Bonds will be dated the date of their original issuance and delivery¹ (the “Dated Date”) and will mature on August 1 of the years and in the amounts as set forth on the inside cover page of this OFFICIAL STATEMENT. The 2018 Bonds will bear interest from their Dated Date at the rates set forth on the inside cover page of this OFFICIAL STATEMENT. Interest on the 2018 Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2019. Interest on the 2018 Bonds will be computed based on a 360-day year comprised of 12, 30-day months.

Zions Bank is the Bond Registrar (the initial “Bond Registrar”) and Paying Agent for the 2018 Bonds under the Resolution.

The 2018 Bonds will be issued as fully-registered bonds, initially in book-entry form, in the denomination of \$5,000 or any whole multiple thereof, not exceeding the amount of each maturity.

The 2018 Bonds are being issued within the constitutional debt limit imposed on boards of education of school districts in the State. See “DEBT STRUCTURE OF MORGAN COUNTY SCHOOL DISTRICT, UTAH—General Obligation Legal Debt Limit And Additional Debt Incurring Capacity” below.

Redemption Provisions

Optional Redemption. The 2018 Bonds maturing on or after August 1, 2028, are subject to redemption prior to maturity in whole or in part at the option of the Board on August 1, 2027, or on any date thereafter, from such maturities or parts thereof as may be selected by the Board, and at random within each maturity if less than the full amount of any maturity is to be redeemed, upon not less than 30 nor more than 45 days’ prior written notice, at a redemption price of 100% of the principal amount of the 2018 Bonds to be redeemed, plus accrued interest thereon to the redemption date.

Selection for Redemption. If less than all 2018 Bonds of any maturity are to be redeemed, the 2018 Bonds or portion of 2018 Bonds of such maturity to be redeemed will be selected by lot by the Bond Registrar in such manner as the Bond Registrar in its discretion may deem fair and appropriate. The portion of any registered 2018 Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or a whole multiple thereof, and in selecting portions of such 2018 Bonds for redemption, the Bond Registrar will treat each such 2018 Bond as representing that number of 2018 Bonds of \$5,000 denomination that is obtained by dividing the principal amount of such 2018 Bond by \$5,000.

¹ The anticipated date of delivery is Tuesday, February 27, 2018.

Notice of Redemption. Notice of redemption will be given by the Bond Registrar by registered or certified mail, not less than 30 nor more than 45 days prior to the redemption date, to the owner, as of the Record Date, as defined under the section “Registration And Transfer; Record Date” below, of each 2018 Bond that is subject to redemption, at the address of such owner as it appears on the registration books of the Board kept by the Bond Registrar, or at such other address as is furnished to the Bond Registrar in writing by such owner on or prior to the Record Date. Each notice of redemption will state the Record Date, the principal amount, the redemption date, the place of redemption, the redemption price and, if less than all of the 2018 Bonds are to be redeemed, the distinctive numbers of the 2018 Bonds or portions of 2018 Bonds to be redeemed, and will also state that the interest on the 2018 Bonds in such notice designated for redemption will cease to accrue from and after such redemption date and that on the redemption date there will become due and payable on each of the 2018 Bonds to be redeemed the principal thereof and interest accrued thereon to the redemption date.

Each notice of optional redemption may further state that such redemption will be conditioned upon the receipt by the Paying Agent, on or prior to the date fixed for redemption, of moneys sufficient to pay the principal of and premium, if any, and interest on such 2018 Bonds to be redeemed and that if such moneys have not been so received the notice will be of no force or effect and the Board will not be required to redeem such 2018 Bonds. If such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made and the Bond Registrar will within a reasonable time thereafter give notice, in the way the notice of redemption was given, that such moneys were not so received.

Any notice of redemption mailed as provided in the Resolution will be conclusively presumed to have been duly given, whether the Bondowner receives such notice. Failure to give such notice or any defect therein with respect to any 2018 Bond will not affect the validity of the proceedings for redemption with respect to any other 2018 Bond.

In addition to the foregoing notice, further notice of such redemption will be given by the Bond Registrar by posting to EMMA as provided in the Resolution.

For so long as a book-entry system is in effect with respect to the 2018 Bonds, the Bond Registrar will mail notices of redemption to DTC or its successor. Any failure of DTC to convey such notice to any Direct Participants or any failure of the Direct Participants or Indirect Participants to convey such notice to any Beneficial Owner will not affect the sufficiency of the notice or the validity of the redemption of 2018 Bonds. See “THE 2018 BONDS—Book-Entry System” below.

Registration And Transfer; Record Date

Registration and Transfer. In the event the book-entry system is discontinued, any 2018 Bond may, in accordance with its terms, be transferred, upon the registration books kept by the Bond Registrar, by the person in whose name it is registered, in person or by such owner’s duly authorized attorney, upon surrender of such 2018 Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Bond Registrar. No transfer will be effective until entered on the registration books kept by the Bond Registrar. Whenever any 2018 Bond is surrendered for transfer, the Bond Registrar will authenticate and deliver a new fully-registered 2018 Bond or 2018 Bonds of the same series, designation, maturity and interest rate and of authorized denominations duly executed by the Board, for a like aggregate principal amount.

The 2018 Bonds may be exchanged at the office of the Bond Registrar for a like aggregate principal amount of fully-registered 2018 Bonds of the same series, designation, maturity and interest rate of other authorized denominations.

For every such exchange or transfer of the 2018 Bonds, the Bond Registrar must make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer of the 2018 Bonds.

Record Date. The term “Record Date” means the day that is 15 days immediately preceding each interest payment date. The Bond Registrar will not be required to transfer or exchange any 2018 Bond (a) after the Record Date with respect to any interest payment date to and including such interest payment date, or (b) after the notice of redemption has been given by the Bond Registrar.

The Board, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each 2018 Bond is registered in the registration books kept by the Bond Registrar as the holder and absolute owner thereof for receiving payment of, or on account of, the principal or redemption price thereof and interest due thereon and for all other purposes whatsoever.

Book–Entry System

DTC will act as securities depository for the 2018 Bonds. The 2018 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2018 Bond certificate will be issued for each maturity of the 2018 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See “APPENDIX D—BOOK–ENTRY SYSTEM” for a more detailed discussion of the book–entry system and DTC.

In the event the book–entry system is discontinued, interest on the 2018 Bonds will be payable by check or draft of the Paying Agent, mailed to the registered owners thereof at the addresses shown on the registration books of the Board kept for that purpose by the Bond Registrar. The principal of all 2018 Bonds will be payable at the principal office of the Paying Agent.

Sources And Uses Of Funds

The proceeds from the sale of the 2018 Bonds are estimated to be applied as set forth below:

Sources of Funds:

Par amount of 2018 Bonds.....	\$49,000,000.00
Original issue premium.....	<u>2,762,160.75</u>
Total	<u>\$51,762,160.75</u>

Uses of Fund:

Deposit to Construction Account.....	\$51,031,197.01
Successful bidder’s discount.....	307,326.24
Original issue discount.....	213,637.50
Costs of Issuance (1).....	<u>210,000.00</u>
Total	<u>\$51,762,160.75</u>

(1) Includes legal fees, Municipal Advisor fees, rating agency fees, Bond Registrar and Paying Agent fees, rounding amounts and other miscellaneous costs of issuance.

(Source: Municipal Advisor.)

Debt Service On The 2018 Bonds

Payment Date	The 2018 Bonds		Period Total	Fiscal Total
	Principal	Interest		
February 1, 2019.....	\$ 0.00	\$1,730,595.49	\$1,730,595.49	\$1,730,595.49
August 1, 2019.....	600,000.00	932,656.25	1,532,656.25	
February 1, 2020.....	0.00	917,656.25	917,656.25	2,450,312.50
August 1, 2020.....	600,000.00	917,656.25	1,517,656.25	
February 1, 2021.....	0.00	902,656.25	902,656.25	2,420,312.50
August 1, 2021.....	650,000.00	902,656.25	1,552,656.25	
February 1, 2022.....	0.00	886,406.25	886,406.25	2,439,062.50
August 1, 2022.....	700,000.00	886,406.25	1,586,406.25	
February 1, 2023.....	0.00	868,906.25	868,906.25	2,455,312.50
August 1, 2023.....	725,000.00	868,906.25	1,593,906.25	
February 1, 2024.....	0.00	850,781.25	850,781.25	2,444,687.50
August 1, 2024.....	750,000.00	850,781.25	1,600,781.25	
February 1, 2025.....	0.00	832,031.25	832,031.25	2,432,812.50
August 1, 2025.....	800,000.00	832,031.25	1,632,031.25	
February 1, 2026.....	0.00	812,031.25	812,031.25	2,444,062.50
August 1, 2026.....	850,000.00	812,031.25	1,662,031.25	
February 1, 2027.....	0.00	790,781.25	790,781.25	2,452,812.50
August 1, 2027.....	2,925,000.00	790,781.25	3,715,781.25	
February 1, 2028.....	0.00	717,656.25	717,656.25	4,433,437.50
August 1, 2028.....	3,075,000.00	717,656.25	3,792,656.25	
February 1, 2029.....	0.00	640,781.25	640,781.25	4,433,437.50
August 1, 2029.....	3,200,000.00	640,781.25	3,840,781.25	
February 1, 2030.....	0.00	592,781.25	592,781.25	4,433,562.50
August 1, 2030.....	3,300,000.00	592,781.25	3,892,781.25	
February 1, 2031.....	0.00	543,281.25	543,281.25	4,436,062.50
August 1, 2031.....	3,400,000.00	543,281.25	3,943,281.25	
February 1, 2032.....	0.00	492,281.25	492,281.25	4,435,562.50
August 1, 2032.....	3,500,000.00	492,281.25	3,992,281.25	
February 1, 2033.....	0.00	439,781.25	439,781.25	4,432,062.50
August 1, 2033.....	3,625,000.00	439,781.25	4,064,781.25	
February 1, 2034.....	0.00	367,281.25	367,281.25	4,432,062.50
August 1, 2034.....	3,775,000.00	367,281.25	4,142,281.25	
February 1, 2035.....	0.00	291,781.25	291,781.25	4,434,062.50
August 1, 2035.....	3,925,000.00	291,781.25	4,216,781.25	
February 1, 2036.....	0.00	228,000.00	228,000.00	4,444,781.25
August 1, 2036.....	4,050,000.00	228,000.00	4,278,000.00	
February 1, 2037.....	0.00	147,000.00	147,000.00	4,425,000.00
August 1, 2037.....	4,200,000.00	147,000.00	4,347,000.00	
February 1, 2038.....	0.00	76,125.00	76,125.00	4,423,125.00
August 1, 2038.....	<u>4,350,000.00</u>	<u>76,125.00</u>	<u>4,426,125.00</u>	4,426,125.00
Totals.....	<u>\$49,000,000.00</u>	<u>\$25,459,251.74</u>	<u>\$74,459,251.74</u>	

(Source: Municipal Advisor.)

MORGAN COUNTY SCHOOL DISTRICT, UTAH

General

The District shares common boundaries with the County. The County was established in 1896 and is situated in the northern portion of the State, located approximately 50 miles northeast of Salt Lake City, Utah. The County is bordered by Weber and Davis counties on the west, Rich County on the north, Sum-

mit County on the east and Salt Lake County on the south and comprises an area of approximately 610 square miles. The 2016 U.S. Census Bureau indicated that 11,437 people resided in the County.

The City of Morgan (the “City”), incorporated in 1868, is the county seat of the County and is located approximately 50 miles northeast of Salt Lake City. The City had 4,154 residents according to the 2016 U.S. Census Bureau. The District’s headquarters are located in the City.

The District’s location provides the area with access to all of the cultural, transportation, and business-related support services of the urban city, yet allows sufficient distance from the State’s metropolitan centers to protect the pleasures of a country life. The District has many residents commuting to the Wasatch Front (Davis, Salt Lake, Utah and Weber counties) for employment purposes.

The District operates its schools in the City and Mountain Green (two elementary schools: one located in the City and one located in Mountain Green, one middle school located in the City, and one high school located in the City). The historical enrollment within the District is as follows:

<u>October 1</u>	<u>Total</u>	<u>% Increase Over Prior Year</u>
2017 (1).....	3,137	4.8%
2016	2,994	5.6
2015	2,836	2.5
2014	2,766	5.1
2013	2,632	4.0
2012	2,531	4.5
2011	2,421	(0.7)
2010	2,437	4.2
2009	2,338	2.7
2008	2,276	4.3

(1) Preliminary; subject to change.

(Source: State Office of Education.)

The Board’s office is located in the City and maintains a web site that may be accessed at <http://www.morgansd.org>. For the contact person for the Board see “INTRODUCTION—Contact Persons” above.

No Charter Schools. The District has no operating charter schools located within the boundaries of the District.

Funding for charter schools comes directly from the State based on student attendance. Beginning in Fiscal Year 2017, the State required the District to indicate the tax rate levy for the funding of charter schools within the District. Property tax revenues from the charter school tax rate levy is not received by the District but paid directly to the State. Also, see “FINANCIAL INFORMATION REGARDING MORGAN COUNTY SCHOOL DISTRICT, UTAH—Historical Tax Rates Of The District” below.

Form Of Government

Board of Education. The determination of policies for the management of the District is the responsibility of the Board, the members of which are elected by the qualified electors within the District. The District is divided into five representative precincts, and a member of the Board is elected from each of the seven precincts. Members serve four-year terms, which are staggered to provide continuity.

The Board is empowered, among other things, to: (i) implement core curriculum; (ii) administer tests which measure the progress of each student, and create plans to improve the student’s progress;

(iii) implement training programs for school administrators; (iv) purchase, sell and improve school sites, buildings and equipment; (v) construct and furnish school buildings; (vi) establish, locate and maintain elementary, secondary and applied technology schools; (vii) maintain school libraries; (viii) make and enforce all necessary rules and regulations for the control and management of the public schools in the District; (ix) adopt bylaws and rules for its own procedure; and (x) appoint a superintendent of schools, business administrator, and such officers or employees as are deemed necessary for the promotion of the interests of the schools.

Superintendent. The Superintendent of Schools (the “Superintendent”) is appointed by the Board and is responsible for the actual administration of the schools in the District. The powers and duties of the Superintendent are prescribed by the Board. Pursuant to State law, the Superintendent is required to prepare and submit to the Board an annual budget itemizing anticipated revenues and expenditures for the next school year. The Superintendent is appointed by the Board for a two–year term and until a successor is appointed.

Business Administrator. The Business Administrator is appointed by the Board and reports to the Superintendent. The duties of the Business Administrator, among others, are to (i) attend all meetings of the Board and keep a journal of the proceedings, (ii) countersign all warrants drawn upon the District treasury, (iii) keep an account and prepare and publish an annual statement of moneys received by the District and amounts paid out of the treasury, and (iv) have custody of the records and papers of the Board. The Business Administrator is the custodian of all moneys belonging to the District and is required to prepare and submit to the Board a monthly report of the receipts and disbursements of the Business Administrator’s office. The Business Administrator is appointed by the Board for a two–year term and until a successor is appointed.

Current members of the Board, the Superintendent, the Business Administrator, and other administrators and their respective terms in office are as follows:

Office	Person	Years in Position	Expiration of Current Term
President.....	Ronald D. Blunck	4	January 2021
Vice President	Gaylene Adams	1	January 2021
Member	Ted W. Taylor	3	January 2019
Member	Kelly E. Preece	1	January 2019
Member	Adam Toone	1	January 2021
Superintendent	Dr. Doug Jacobs	5	Appointed/July 2019
Business Administrator	D’Lynn A. Poll	13	Appointed/July 2018

(Source: The District.)

Employee Workforce And Retirement System; Post–Employment Benefits

Employee Workforce and Retirement System. As of Fiscal Year 2017, the District employed approximately 230 full–time equivalent employees. The District participates in cost–sharing multiple employer public employee retirement systems which are defined benefit retirement plans covering public employees of the State and employees of participating local government entities administered by the Utah State Retirement Systems (“URS”). The retirement system provides refunds, retirement benefits, annual cost of living adjustment and death benefits to plan members and beneficiaries in accordance with retirement statutes. The District also participates in deferred compensation plans with URS. The retirement and deferred compensation plans are administered by the URS under the direction of the URS board, which consists of six members appointed by the Governor of the State and the State Treasurer.

For a detailed discussion regarding URS retirement benefits and contributions see “APPENDIX A—FINANCIAL STATEMENTS OF MORGAN COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2017—Notes to Basic Financial Statements—Note 7. State Retirement Plans” (page 33).

Post-Employment Benefits. As of the date of this OFFICIAL STATEMENT, the Board currently does not expect its current or future policies regarding post-employment benefits to have a negative financial impact on the District. The District provides post-employment benefits other than pensions and deferred compensation plans in the form of early retirement. Early retirement may be applied for and is available to employees who obtain administrative approval and qualify based on the eligibility requirements. As a result, the costs associated with early retirement are accounted for as termination benefits. The early retirement obligation is not covered as part of the District’s pension plans.

For a detailed discussion regarding Post-Employment Benefits, see “APPENDIX A—FINANCIAL STATEMENTS OF MORGAN COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2017—Notes to Basic Financial Statements—Note 6. Long-Term Liabilities—Post-Employment Benefits Other Than Pensions And Deferred Compensation Plans” (page 33).

Risk Management

The District is a member of a risk pool through which the State self-insures portions of certain property and liability claims and purchases commercial insurance for claims above the self-insured retention amounts. This is done through the State’s Administrative Services Risk Management Fund. The fund is maintained via premiums charged to its members—State agencies, institutions of higher education, school districts and charter schools.

As of Fiscal Year 2017, the Administrative Services Risk Management Fund contained approximately [\$48.1] million in reserve available to pay for claims incurred. In the opinion of the State’s Risk Manager, the available balance will be adequate to cover claims through Fiscal Year 2018.

For a general discussion of insurance coverage, limits of coverage, health insurance benefits, dental insurance benefits, unemployment compensation and payment claims see “APPENDIX A—FINANCIAL STATEMENTS OF MORGAN COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2017—Notes to Basic Financial Statements—Note. 8. Risk Management” (page 40).

Investment Of Funds

The State Money Management Act. The State Money Management Act, Title 51, Chapter 7 of the Utah Code (the “Money Management Act”), governs and establishes criteria for the investment of all public funds held by public treasurers in the State. The Money Management Act provides a limited list of approved investments, including qualified in-state and permitted out-of-state financial institutions, obligations of the State and political subdivisions of the State, U.S. Treasury and approved federal government agency and instrumentality securities, certain investment agreements and repurchase agreements and investments in corporate securities meeting certain ratings requirements. The Money Management Act establishes the State Money Management Council (the “Money Management Council”) to exercise oversight of public deposits and investments. The Money Management Council is comprised of five members appointed by the Governor of the State for terms of four years, after consultation with the State Treasurer and with the advice and consent of the State Senate.

The Board is currently complying with all provisions of the Money Management Act for all Board operating funds.

The Utah Public Treasurers’ Investment Fund. A significant portion of Board funds may be invested in the Utah Public Treasurers Investment Fund (“PTIF”). The PTIF is a local government investment fund, established in 1981, and managed by the State Treasurer. All investments in the PTIF must comply

with the Money Management Act and rules of the Money Management Council. The PTIF invests primarily in money market securities. Securities in the PTIF include certificates of deposit, commercial paper, short-term corporate notes, obligations of the U.S. Treasury and securities of certain agencies of the federal government. By policy, the maximum weighted average adjusted life of the portfolio is not to exceed 90 days and the maximum final maturity of any security purchased by the PTIF is limited to five years. Safekeeping and audit controls for all investments owned by the PTIF must comply with the Money Management Act.

All securities purchased are delivered versus payment to the custody of the State Treasurer or the State Treasurer's safekeeping bank, assuring a perfected interest in the securities. Securities owned by the PTIF are completely segregated from securities owned by the State. The State has no claim on assets owned by the PTIF except for any investment of State moneys in the PTIF. Deposits are not insured or otherwise guaranteed by the State.

Investment activity of the State Treasurer in the management of the PTIF is reviewed monthly by the Money Management Council and is audited by the State Auditor. The PTIF is not rated.

See "APPENDIX A—FINANCIAL STATEMENTS OF MORGAN COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2017—Notes to Basic Financial Statements—Note 2. Deposits and Investments" (page 26).

Investment of 2018 Bond Proceeds. The proceeds of the 2018 Bonds will be held by the Board and invested to be readily available. The 2018 Bond proceeds may also be invested in the PTIF or other investments authorized under the Money Management Act.

Population

The following historical population information is provided for the County and the State.

	<u>County</u>	<u>% Change From Prior Period</u>	<u>State of Utah</u>	<u>% Change From Prior Period</u>
2016 Estimate (1).....	11,437	20.8%	3,051,217	10.4%
2010 Census.....	9,469	32.8	2,763,885	23.8
2000 Census.....	7,129	29.0	2,233,169	29.6
1990 Census.....	5,528	12.4	1,722,850	17.9
1980 Census.....	4,917	23.4	1,461,037	37.9
1970 Census.....	3,983	40.4	1,059,273	18.9
1960 Census.....	2,837	12.6	890,627	29.3
1950 Census.....	2,519	(3.5)	688,862	25.2
1940 Census.....	2,611	3.0	550,310	8.4
1930 Census.....	2,536	(0.2)	507,847	13.0
1920 Census.....	2,542	3.0	449,396	20.4
1910 Census.....	2,467	20.6	373,351	34.9

(1) U.S. Bureau of the Census estimates for July 1, 2016. Percentage change is calculated from the 2010 Census.

(Source: U.S. Department of Commerce, Bureau of the Census.)

Employment, Income, Construction, And Sales Taxes Within Morgan County And The State Of Utah

Labor Force, Nonfarm Jobs and Wages within Morgan County

	Calendar Year (1)						% change from prior year				
	2017 (2)	2016	2015	2014	2013	2012	2016-17	2015-16	2014-15	2013-14	2012-13
Civilian labor force (3).....	5,291	5,078	4,820	4,703	4,465	4,376	4.2	5.4	2.5	5.3	2.0
Employed persons.....	5,128	4,926	4,671	4,542	4,291	4,154	4.1	5.5	2.8	5.8	3.3
Unemployed persons.....	163	151	149	161	174	222	7.9	1.3	(7.5)	(7.5)	(21.6)
Total private sector (average).....	1,684	1,615	1,569	1,487	1,392	1,292	4.3	2.9	5.5	6.8	7.7
Agriculture, forestry, fishing & hunting.....	33	37	43	45	39	172	(10.8)	(14.0)	(4.4)	15.4	(77.3)
Utilities.....	14	12	13	14	14	12	16.7	(7.7)	(7.1)	0.0	16.7
Construction.....	453	417	341	326	326	303	8.6	22.3	4.6	0.0	7.6
Manufacturing.....	182	191	198	201	191	194	(4.7)	(3.5)	(1.5)	5.2	(1.5)
Wholesale trade.....	134	139	158	159	160	154	(3.6)	(12.0)	(0.6)	(0.6)	3.9
Retail trade.....	265	231	221	205	202	167	14.7	4.5	7.8	1.5	21.0
Transportation and warehousing.....	61	59	51	49	49	44	3.4	15.7	4.1	0.0	11.4
Information.....	23	0	0	0	0	0	100.0	N/A	N/A	N/A	N/A
Finance and insurance.....	49	46	53	50	49	49	6.5	(13.2)	6.0	2.0	0.0
Real estate and rental and leasing.....	15	18	8	9	10	9	(16.7)	125.0	(11.1)	(10.0)	11.1
Professional, scientific and technical.....	106	100	87	85	39	28	6.0	14.9	2.4	117.9	39.3
Administration, support, waste management, remediation.....	50	44	38	35	30	27	13.6	15.8	8.6	16.7	11.1
Education services.....	331	323	303	287	284	279	2.5	6.6	5.6	1.1	1.8
Health care and social assistance.....	170	163	150	144	137	127	4.3	8.7	4.2	5.1	7.9
Arts, entertainment and recreation.....	26	23	25	18	19	19	13.0	(8.0)	38.9	(5.3)	0.0
Accommodation and food services.....	157	167	182	169	148	146	(6.0)	(8.2)	7.7	14.2	1.4
Other services.....	56	48	77	56	47	35	16.7	(37.7)	37.5	19.1	34.3
Total public sector (average).....	545	512	488	461	466	456	6.4	4.9	5.9	(1.1)	2.2
Federal government.....	12	12	11	12	12	10	0.0	9.1	(8.3)	0.0	20.0
State government.....	22	22	22	22	22	22	0.0	0.0	0.0	0.0	0.0
Local government.....	511	477	455	427	433	424	7.1	4.8	6.6	(1.4)	2.1
Total payroll (in \$1,000's).....	\$ 20,303	\$ 78,119	\$ 74,672	\$ 70,860	\$ 65,742	\$ 61,217	0.0	4.6	5.4	7.8	7.4
Average monthly wage.....	\$ 3,036	\$ 3,061	\$ 3,025	\$ 3,033	\$ 2,948	\$ 2,920	(0.8)	1.2	(0.3)	2.9	1.0
Average employment.....	2,229	2,127	2,057	1,947	1,849	1,870	4.8	3.4	5.6	5.3	(1.1)
Establishments.....	331	319	297	285	263	250	3.8	7.4	4.2	8.4	5.2

(1) Utah Department of Workforce Services.

(2) Nonfarm Jobs and Wages as of 2nd quarter 2017, only; comparison made to same quarter of prior year.

Employment, Income, Construction, And Sales Taxes Within Morgan County And The State Of Utah—continued

Personal Income; Per Capita Personal Income; Median Household Income within Morgan County and State of Utah

	Calendar Year (1)						% change from prior year				
	2016	2015	2014	2013	2012	2011	2015–16	2014–15	2013–14	2012–13	2011–12
Total Personal Income (in \$1,000's):											
Morgan County.....	\$ 523,298	\$ 494,890	\$ 458,215	\$ 425,728	\$ 421,173	\$ 387,927	5.7	8.0	7.6	1.1	8.6
State of Utah.....	\$124,871,199	\$118,724,635	\$110,863,745	\$104,664,413	\$101,508,754	94,918,680	5.2	7.1	5.9	3.1	6.9
Total Per Capita Personal Income (in \$):											
Morgan County.....	45,755	44,621	43,082	41,575	41,964	40,158	2.5	3.6	3.6	(0.9)	4.5
State of Utah.....	40,925	39,699	37,685	36,058	35,454	33,705	3.1	5.3	4.5	1.7	5.2
Median Household Income (in \$):											
Morgan County.....	85,681	81,358	82,597	83,496	75,348	74,509	5.3	(1.5)	(1.1)	10.8	1.1
State of Utah.....	65,931	62,961	60,943	59,715	57,067	55,802	4.7	3.3	2.1	4.6	2.3

Construction within Morgan County (2)

	Calendar Year						% change from prior year				
	2017 (3)	2016	2015	2014	2013	2012	2016–17	2015–16	2014–15	2013–14	2012–13
Number new dwelling units.....	3	17	65	80	91	26	(81.3)	(73.8)	(18.8)	(12.1)	250.0
New (in \$1,000's):											
Residential value.....	\$ 871.7	\$ 5,966.0	\$ 24,249.7	\$ 28,005.9	\$ 31,511.3	\$ 8,688.6	(84.7)	(75.4)	(13.4)	(11.1)	262.7
Non-residential value.....	549.7	1,584.3	1,472.3	7,045.6	1,295.3	988.7	6.1	7.6	(79.1)	443.9	31.0
Additions, alterations, repairs (in \$1,000's):											
Residential value.....	40.0	346.8	351.7	945.9	949.0	109.3	(88.5)	(1.4)	(62.8)	(0.3)	768.3
Non-residential value.....	591.6	1,498.0	177.8	0.0	358.9	0.0	(60.5)	742.5	100.0	(100.0)	100.0
Total construction value (in \$1,000's).....	\$ 2,053.0	\$ 9,395.1	\$ 26,251.5	\$ 35,997.4	\$ 34,114.5	\$ 9,786.6	(74.5)	(64.2)	(27.1)	5.5	248.6

Taxable Sales and Local Sales and Use Taxes Within Morgan County and the State of Utah (4)

	Calendar Year						% change from prior year				
	2016	2015	2014	2013	2012	2011	2015–16	2014–15	2013–14	2012–13	2011–12
Taxable Sales (in \$1,000's):											
Morgan County.....	\$ 107,105	\$ 104,374	\$ 93,315	\$ 75,618	\$ 72,901	\$ 68,477	2.6	11.9	23.4	3.7	6.5
State of Utah.....	56,502,434	53,933,277	51,709,163	49,404,045	47,531,179	44,097,026	4.8	4.3	4.7	3.9	7.8
	Fiscal Year						% change from prior year				
	2016	2015	2014	2013	2012	2011	2015–16	2014–15	2013–14	2012–13	2011–12
Local Sales and Use Tax Distribution:											
Morgan County (and all cities).....	\$ 1,476,037	\$ 1,372,635	\$ 1,222,146	\$ 1,165,760	\$ 1,115,485	\$ 1,001,961	7.5	12.3	4.8	4.5	11.3

(1) U.S. Department of Commerce; Bureau of Economic Analysis and U.S. Census Bureau.

(2) University of Utah Bureau of Economic and Business Research, Utah Construction Report. This source is only as accurate as the information received by cities and counties; thus some information may be incomplete.

(3) Information as of 3rd quarter 2017 only; comparison made to same time period of prior year.

(4) Utah State Tax Commission.

Largest Employers

The following is a list of the largest employers in the County:

<u>Firm (location)</u>	<u>Business</u>	<u>Employees</u>
Morgan County School District.....	Educational services	205–430
Browning	Wholesale trade	120–300
Holicim US Inc.....	Manufacturing	100–250
Morgan County.....	Public administration	50–100
Ridley’s Family Markets	Retail trade	50–100
Young Ford of Morgan.....	Retail trade	20–50
Durrant Slate Plumbing Inc.	Construction	20–50
Family Tree Assisted Living of Morgan.....	Health care and social assistance	20–50
J’s Drive In, Inc.	Accommodation and food services	20–50
Larrys Spring Chicken Inn of Morgan.....	Accommodation and food services	20–50
Morgan County Ambulance	Health care and social assistance	20–50
Pinnacle Construction Inc.....	Construction	20–50
Precision Contracting Inc.	Construction	20–50
Ron Butters	Accommodation and food services	20–50
Round Valley Golf Course	Arts, entertainment, and recreation	20–50
Skylake Heating and Air.....	Construction	20–50
Taggart’s Grill Inc.	Accommodation and food services	20–50
Wardell Brothers Construction, Inc.	Construction	20–50
Wilkinson Construction Co. Inc.	Construction	20–50

(Source: Utah Department of Workforce Services. Updated March 2017, reflecting information as of September 2016.)

Rate Of Unemployment—Annual Average

<u>Year</u>	<u>Morgan County</u>	<u>State of Utah</u>	<u>United States</u>
2017 (1).....	3.0%	3.3%	4.1%
2016	3.2	3.5	4.9
2015	3.3	3.5	5.3
2014	3.7	3.8	6.2
2013	4.4	4.6	7.4
2012	5.3	5.4	8.1

(1) Preliminary, subject to change. As of October 2017 (seasonally adjusted).

(Source: Utah Department of Workforce Services.)

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DEBT STRUCTURE OF MORGAN COUNTY SCHOOL DISTRICT, UTAH

Outstanding General Obligation Bonded Indebtedness

<u>Series (1)</u>	<u>Purpose</u>	<u>Original Principal Amount</u>	<u>Final Maturity Date</u>	<u>Current Principal Outstanding</u>
2018 (a)	School building	\$49,000,000	August 1, 2038	\$49,000,000
2015	Refunding	14,440,000	August 1, 2026	<u>14,440,000</u>
Total direct general obligation debt.....				<u>\$63,440,000</u>

(a) For purposes of this OFFICIAL STATEMENT the 2018 Bonds will be considered issued and outstanding

(1) Rated “Aaa” (State of Utah Guaranty; underlying “A1”) by Moody’s Investors Service Inc., as of the date of this OFFICIAL STATEMENT.

(Source: Municipal Advisor.)

Other Financial Considerations; Local Building Authority Of Morgan County School District, Utah

Other Financial Considerations. Future Issuance of Debt. Other than the issuance of the 2018 Bonds (and any refunding opportunities) the Board does not anticipate the issuance of any other general obligation debt within the next three years.

Local Building Authority of Morgan County School District, Utah. In September 2010, the Board created the Local Building Authority of Morgan County School District, Utah (the “Authority”) as a non-profit corporation in accordance with the provisions of the Utah Revised Nonprofit Corporation Act, Title 16, Chapter 6a, Utah Code (the “Nonprofit Corporation Act”) and as provided in the Local Building Authority Act, Title 17D, Chapter 2, Utah Code. *The Authority’s debt does not constitute legal debt within the meaning of any constitutional provision or statutory limitation of the Board. The Authority has entered annual leases with the Board for each school project constructed by the Authority. The leases may be terminated by the Board in any year and payments by the Board may be made only from moneys which are annually budgeted and appropriated by the Board for such purpose.*

Debt issued by the Authority is being paid from rental payments received by the Authority from the Board. The Board’s rental payments are being made from the capital projects fund from property taxes and earnings on investments.

As of the date of this OFFICIAL STATEMENT, the Authority has outstanding the following lease revenue bonds:

<u>Series</u>	<u>Purpose</u>	<u>Original Principal Amount</u>	<u>Final Maturity Date</u>	<u>Current Principal Outstanding</u>
2011 (1).....	School Building/QSCB	\$4,000,000	June 1, 2025	<u>\$2,284,000</u>

(1) This bond is not rated and was issued as a private placement. The bonds are federally taxable, Qualified School Construction Bonds (“QSCB”) and were issued with a supplemental interest rate of 5.51% per annum. The purchaser also received the qualified federal tax credit of 5.51% at the time of the sale of the bonds.

(Source: Municipal Advisor.)

Debt Service Schedule Of Outstanding General Obligation Bonds By Fiscal Year

Fiscal Year Ending June 30	Series 2018 \$49,000,000		Series 2015 \$14,440,000		Series 2007 (1) \$25,000,000		Totals		
	Principal	Interest	Principal	Interest	Principal	Interest	Total	Total	Total
							Principal	Interest	Debt Service
2017.....	\$ 0	\$ 0	\$ 0	\$ 722,000	\$1,350,000	\$ 83,000	\$ 1,350,000	\$ 805,000	\$ 2,155,000
2018.....	0	0	0	722,000	1,400,000	28,000	1,400,000	750,000	2,150,000
2019.....	0	1,730,595	1,320,000	689,000	0	0 (2)	1,320,000	2,419,595	3,739,595
2020.....	600,000	1,850,313	1,365,000	621,875	0	0 (2)	1,965,000	2,472,188	4,437,188
2021.....	600,000	1,820,313	1,460,000	551,250	0	0 (2)	2,060,000	2,371,563	4,431,563
2022.....	650,000	1,789,063	1,515,000	476,875	0	0 (2)	2,165,000	2,265,938	4,430,938
2023.....	700,000	1,755,313	1,590,000	399,250	0	0 (2)	2,290,000	2,154,563	4,444,563
2024.....	725,000	1,719,688	1,675,000	317,625	0	0 (2)	2,400,000	2,037,313	4,437,313
2025.....	750,000	1,682,813	1,755,000	231,875	0	0 (2)	2,505,000	1,914,688	4,419,688
2026.....	800,000	1,644,063	1,840,000	142,000	0	0 (2)	2,640,000	1,786,063	4,426,063
2027.....	850,000	1,602,813	1,920,000	48,000	0	0 (2)	2,770,000	1,650,813	4,420,813
2028.....	2,925,000	1,508,438	—	—	—	—	2,925,000	1,508,438	4,433,438
2029.....	3,075,000	1,358,438	—	—	—	—	3,075,000	1,358,438	4,433,438
2030.....	3,200,000	1,233,563	—	—	—	—	3,200,000	1,233,563	4,433,563
2031.....	3,300,000	1,136,063	—	—	—	—	3,300,000	1,136,063	4,436,063
2032.....	3,400,000	1,035,563	—	—	—	—	3,400,000	1,035,563	4,435,563
2033.....	3,500,000	932,063	—	—	—	—	3,500,000	932,063	4,432,063
2034.....	3,625,000	807,063	—	—	—	—	3,625,000	807,063	4,432,063
2035.....	3,775,000	659,063	—	—	—	—	3,775,000	659,063	4,434,063
2036.....	3,925,000	519,781	—	—	—	—	3,925,000	519,781	4,444,781
2037.....	4,050,000	375,000	—	—	—	—	4,050,000	375,000	4,425,000
2038.....	4,200,000	223,125	—	—	—	—	4,200,000	223,125	4,423,125
2039.....	4,350,000	76,125	—	—	—	—	4,350,000	76,125	4,426,125
Totals.....	<u>\$49,000,000</u>	<u>\$25,459,252</u>	<u>\$14,440,000</u>	<u>\$ 4,921,750</u>	<u>\$2,750,000</u>	<u>\$ 111,000</u>	<u>\$66,190,000</u>	<u>\$30,492,002</u>	<u>\$ 96,682,002</u>

(1) This bond issue has been included in this table because final principal and interest payment occurred in Fiscal Years 2017 and 2018.

(2) Principal and interest were refunded by the 2015 Bonds.

(Source: Municipal Advisor.)

**Debt Service Schedule Of Outstanding Lease
Revenue Bonds Of The Local Building Authority Of
Morgan County School District, Utah By Fiscal Year**

Series 2011 QSCB (1) \$4,000,000			
Fiscal Year Ending June 30	Principal	Interest (2)	Total Payment Required For Debt Service
2017.....	\$ 286,000	\$ 0	\$ 286,000
2018.....	286,000	0	286,000
2019.....	285,000	0	285,000
2020.....	285,000	0	285,000
2021.....	285,000	0	285,000
2022.....	285,000	0	285,000
2023.....	286,000	0	286,000
2024.....	286,000	0	286,000
2025.....	286,000	0	286,000
Totals.....	<u>\$ 2,570,000</u>	<u>\$ 0</u>	<u>\$ 2,570,000</u>

(1) These bonds are federally taxable, issuer subsidy, Qualified School Construction Bonds and were issued

(2) Issued at a taxable interest rate of 5.51% (with a tax credit interest rate of 5.51%). Does not include interest paid by the District due to federal sequestration.

Overlapping And Underlying General Obligation Debt

<u>Taxing Entity</u>	<u>2017 Taxable Value (1)</u>	<u>Board's Portion of Tax- able Value</u>	<u>Board's Per- centage</u>	<u>Entity's General Obligation Debt</u>	<u>Board's Portion of G.O. Debt</u>
Overlapping:					
State of Utah	\$258,702,348,415	\$1,111,893,624	0.4%	\$2,044,520,000	\$8,178,080
WBWCD (2)	56,578,614,675	1,111,893,624	2.0	19,862,674	<u>397,253</u>
Total Overlapping					<u>\$8,575,333</u>
Underlying:					
Total Underlying					<u>0</u>
Total Overlapping and Underlying General Obligation Debt					<u>\$8,575,333</u>
Total Overlapping General Obligation Debt (Excluding the State) (3)					\$ 397,253
Total Direct General Obligation Bonded Indebtedness					<u>63,440,000</u>
Total Direct and Overlapping General Obligation Debt (Excluding the State) (3)					<u>\$63,837,253</u>

- (1) Taxable values are preliminary and subject to change. Taxable value used in this table *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (2) The Weber Basin Water Conservancy District ("WBWCD") outstanding general obligation bonds are limited ad valorem tax bonds. WBWCD covers all the County, Davis and Weber Counties, most of Summit County and a small portion of Box Elder County. By law, WBWCD may levy a rate of up to .000200 to pay, first, for any outstanding general obligation indebtedness, then for operation and maintenance expenses, and then for any other lawful purpose.
- (3) The State's general obligation debt is not included in overlapping debt because the State currently levies no property tax for payment of general obligation bonds.

(Source: Municipal Advisor.)

Debt Ratios Regarding General Obligation Debt

The following table sets forth the ratios of general obligation debt (excluding any additional principal amounts attributable to unamortized original issue bond premium) that is expected to be paid from taxes levied specifically for such debt and not from other revenues over the taxable value of property within the District, the estimated market value of such property and the population of the District. *The State's general obligation debt is not included in the debt ratios because the State currently levies no property tax for payment of general obligation debt.*

	<u>To 2017 Estimated Taxable Value (1)</u>	<u>To 2017 Estimated Market Value (2)</u>	<u>To 2016 Population Estimate Per Capita (3)</u>
Direct general obligation debt.....	5.71%	3.90%	\$5,547
Direct and overlapping general obligation debt	5.74	3.92	5,582

- (1) Based on an estimated 2017 Taxable Value of \$1,111,893,624, which value *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (2) Based on an estimated 2017 Market Value of \$1,626,514,352, which value *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (3) Based on 2016 population estimate of 11,437 by the U.S. Census Bureau.

(Source: Municipal Advisor.)

See “FINANCIAL INFORMATION REGARDING MORGAN COUNTY SCHOOL DISTRICT, UTAH—Property Tax Matters—Uniform Fees” and “—Taxable, Fair Market And Market Value Of Property Within The District” below.

General Obligation Legal Debt Limit And Additional Debt Incurring Capacity

The general obligation indebtedness of the Board is limited by State law to 4% of the fair market value of taxable property in the District. The legal debt limit and additional debt incurring capacity of the Board (after the issuance of the 2018 Bonds) are based on the estimated fair market value for 2017 and the calculated valuation value from 2016 uniform fees, and are calculated as follows:

Estimated 2017 “Fair Market Value”	\$1,626,514,352
2016 Valuation from Uniform Fees (1)	<u>41,421,600</u>
Estimated 2017 “Fair Market Value for Debt Incurring Capacity”	<u>\$1,667,935,952</u>
“Fair Market Value for Debt Incurring Capacity” times 4% (the “Debt Limit”)	\$66,717,438
Less: current outstanding general obligation debt (2).....	<u>(65,879,689)</u>
Estimated additional debt incurring capacity.....	<u>\$ 837,749</u>

-
- (1) 2017 final information is not available. For debt incurring capacity only, in computing the fair market value of taxable property in the District, the value of all motor vehicles and state-assessed commercial vehicles (which value is determined by dividing the uniform fee revenue by 1.5%) will be included as a part of the fair market value of the taxable property in the District.
- (2) For legal debt limit purposes, the outstanding general obligation debt as shown above is increased by the premium associated with debt issued that is reported in the long-term debt notes of the Board’s financial statements. Thus, for accounting purposes, the total unamortized bond premium was \$2,439,689 (as of June 30, 2017), and together with current outstanding debt of \$63,440,000, results in total outstanding debt of \$65,879,689.

(Source: Municipal Advisor.)

Federal Funding Cuts

Federal Sequestration. Pursuant to the Budget Control Act of 2011 (the “BCA”), cuts to federal programs necessary to reduce federal spending to levels specified in the BCA (known as “sequestration”) were ordered in federal fiscal years ending September 30, 2013 through 2021, and were subsequently extended through September 30, 2024. These reductions include cuts to the subsidy payments to be made to issuers of QSCBs and various other federal expenditures.

The Authority anticipates that any future reductions of subsidy payments with respect to the Authority’s \$2,284,000 of outstanding QSCBs and reductions in other federal grants because of sequestration would have no material impact on its operations or financial position. The Authority cannot predict whether Congress will act to avoid or extend sequestration in the future.

No Defaulted Obligations

The Board has never failed to pay principal of and interest on its financial obligations when due.

FINANCIAL INFORMATION REGARDING MORGAN COUNTY SCHOOL DISTRICT, UTAH

Fund Structure; Accounting Basis

The accounting policies of the District conform to all generally accepted accounting principles for governmental units in general and the State’s school districts.

The accounts of the District are organized based on funds or groups of accounts, each of which is a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and how spending activities are controlled. The various funds are grouped by type in the combined financial statements. See “APPENDIX A—FINANCIAL STATEMENTS OF MORGAN COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2017—Notes to Basic Financial Statements—Note 1. Summary of Significant Accounting Policies” (page 18).

Budgets And Budgetary Accounting

The District operates within the budget requirements for school districts as specified by State law and as interpreted by the State Superintendent of Public Instruction. The superintendent of each school district is the budget officer of each respective district.

For the fiscal year beginning July 1, the Business Administrator under the supervision of the Superintendent prepares a tentative budget for all funds which is presented to the Board by the Superintendent on or before June 1. State law requires budgets for all governmental fund types and the Board has adopted budgets for those funds.

After a public hearing has been held, the Board, by resolution, legally adopts the final budget prior to June 22. If the tax rate in the proposed budget exceeds the “certified tax rate,” the Board shall, if required by State law, comply with the notice and hearing requirements contained in the Property Tax Act, Chapter 2, Title 59, Utah Code (the “Property Tax Act”) in adopting the budget. See in this section “Tax Levy And Collection” and “Public Hearing On Certain Tax Increases” below.

Once adopted, the budget can be amended by subsequent Board action. Reductions in appropriations can be approved by the Board upon recommendation of the Superintendent; however, increased appropriations require a public hearing prior to amending the budget.

Adjustments in estimated revenue and revisions of appropriations due to operational changes in categorical program funding are integrated into the amended budget approved by the Board.

A final amended budget is legally approved by the Board prior to the end of the fiscal year.

The total budgeted expenditures of a given fund may not exceed the revenues expected to be received for the fiscal year plus the fund balance. Control of the budget is exercised at the fund level.

All governmental funds are prepared using the modified accrual basis of accounting, adjusted for encumbrances. Unencumbered appropriations lapse at year end.

Undistributed Reserve in School Board Budget. A local school board may adopt a budget with an undistributed reserve. The reserve may not exceed 5% of the maintenance and operation budget adopted by each local board in accordance with a scale developed by the State Board of Education. The scale is based on the size of the school district’s budget.

Each local board may appropriate all or a part of the undistributed reserve made to any expenditure classification in the maintenance and operation budget by written resolution adopted by majority vote of such board setting forth the reasons for the appropriation.

The board may not use undistributed reserves in the negotiation or settlement of contract salaries for school district employees.

Limits on Appropriations—Estimated Expendable Revenue. A local school board may not make any appropriation more than its estimated expendable revenue, including undistributed reserves, for the following fiscal year.

In determining the estimated expendable revenue, any existing deficits arising through excessive expenditures from former years are deducted from the estimated revenue for the ensuing year to the extent of at least 10% of the entire tax revenue of the school district for the previous year.

In the event of financial hardships, a local board may deduct from the estimated expendable revenue for the ensuing year, by fund, at least 25% of the deficit amount.

All estimated balances available for appropriations at the end of the fiscal year shall revert to the funds from which they were appropriated and shall be fund balances available for appropriation in the budget of the following year.

A local school board may reduce a budget appropriation at its regular meeting if notice of the proposed action is given to all board members and the district superintendent at least one week prior to the meeting.

An increase in an appropriation may not be made by a local school board unless the following steps are taken: (a) the local school board receives a written request from the district superintendent that sets forth the reasons for the proposed increase; (b) notice of the request is published in a newspaper of general circulation within the school district at least one week prior to a local school board meeting at which the request will be considered; and (c) the local school board holds a public hearing on the request prior to the board's acting on the request.

School District Interfund Transfers. The State Board of Education may authorize school district inter-fund transfers for financially distressed districts if the State Board of Education determines the following: (a) the school district has a significant deficit in its maintenance and operations fund which has resulted from circumstances not subject to the administrative decisions of the school district and which cannot be reasonably reduced under Section 53A–19–104 of the Utah Code; and (b) without the transfer, the school district will not be capable of meeting statewide educational standards adopted by the State Board of Education.

Adoption of Ad Valorem Tax Levy. The governing body of each taxing entity shall, before June 22 of each year, adopt a proposed or, if the tax rate is not more than the certified tax rate, a final tax rate for the taxing entity. The governing body shall report the rate and levy, and any other information prescribed by rules of the county commission for the preparation, review, and certification of the rate, to the county auditor of the county in which the taxing entity is located.

Management's Discussion And Analysis

The administration of the District prepared a narrative discussion, overview, and analysis of the financial activities of the District for Fiscal Year 2017. For the complete discussion see "APPENDIX A—FINANCIAL STATEMENTS OF MORGAN COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2017—Management's Discussion and Analysis" (page 3).

The Management's Discussion and Analysis for Fiscal Year 2018 is not available. Under State law the Board must complete its annual financial report for Fiscal Year 2018 by November 30, 2018.

Financial Summaries

The summaries contained herein were extracted from the District's basic financial statements. The summaries have not been audited. See "APPENDIX A—FINANCIAL STATEMENTS OF MORGAN COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2017."

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Morgan County School District

Statement of Net Position

Primary Government—Governmental Activities

(This summary has not been audited)

	As of June 30				
	2017	2016	2015	2014	2013
Assets:					
Cash and investments.....	\$ 12,073,332	\$ 10,345,935	\$ 8,398,644	\$ 6,172,392	\$ 5,667,111
Receivables:					
Property taxes.....	7,939,817	7,153,133	6,695,146	6,486,452	5,920,190
Other governments.....	364,767	126,186	47,947	92,041	84,046
Other receivables.....	12,031	—	—	—	—
Inventories.....	61,769	43,274	30,585	23,056	14,810
Prepaid expenditures.....	—	8,879	880	880	15,229
Net pension asset.....	—	327	3,504	—	—
Capital assets:					
Other capital assets, net of accumulated depreciation.....	34,903,588	35,941,639	36,292,712	37,211,688	38,007,200
Land and construction in progress.....	1,162,183	1,162,183	1,162,183	1,162,183	1,162,183
Total assets.....	<u>56,517,487</u>	<u>54,781,556</u>	<u>52,631,601</u>	<u>51,148,692</u>	<u>50,870,769</u>
Deferred outflows of resources:					
Deferred outflows relating to pensions.....	3,144,947	2,768,743	903,278	—	—
Total assets and deferred outflows of resources...	<u>\$59,662,434</u>	<u>\$57,550,299</u>	<u>\$53,534,879</u>	<u>\$51,148,692</u>	<u>\$50,870,769</u>
Liabilities:					
Accrued salaries.....	\$ 1,073,361	\$ 657,879	\$ 705,598	\$ 645,365	\$ 1,080,415
Accounts payable.....	573,970	830,526	826,162	639,750	809,290
Accrued interest.....	330,199	354,077	292,981	339,761	240,711
Noncurrent liabilities:					
Due in more than one year.....	28,207,258	30,041,397	30,613,151	25,243,029	26,972,362
Due within one year.....	2,135,721	2,082,857	2,004,194	1,732,280	1,674,338
Total liabilities.....	<u>32,320,509</u>	<u>33,966,736</u>	<u>34,442,086</u>	<u>28,600,185</u>	<u>30,777,116</u>
Deferred inflows of resources:					
Property taxes levied for future period.....	7,862,073	7,050,040	6,387,233	5,897,074	5,769,443
Deferred inflows relating to pensions.....	1,069,185	888,351	574,523	—	—
Total deferred inflows of resources.....	<u>8,931,258</u>	<u>7,938,391</u>	<u>6,961,756</u>	<u>5,897,074</u>	<u>5,769,443</u>
Net position:					
Invested in capital assets, net of related debt.....	15,021,627	14,024,255	12,418,852	12,992,777	12,130,025
Fund balances:					
Restricted for:					
Capital projects.....	1,986,300	2,120,340	2,159,702	1,886,872	1,986,201
Debt service.....	1,076,022	937,475	801,628	470,070	47,715
Student activities.....	665,600	595,246	517,670	558,366	512,370
School lunch.....	366,707	263,231	192,200	147,265	162,034
Recreation programs.....	107,370	106,435	93,407	78,344	80,232
Non K–12.....	100,500	74,981	54,445	38,086	47,034
Unrestricted.....	(913,459)	(2,476,791)	(4,106,867)	479,653	(641,401)
Total net position.....	<u>18,410,667</u>	<u>15,645,172</u>	<u>12,131,037</u>	<u>16,651,433</u>	<u>14,324,210</u>
Total liabilities, deferred inflows of resources and net position.....	<u>\$59,662,434</u>	<u>\$57,550,299</u>	<u>\$53,534,879</u>	<u>\$51,148,692</u>	<u>\$50,870,769</u>

(Source: Information taken from the District's basic financial statements. Compiled by the Municipal Advisor.)

Morgan County School District

Statement of Activities

Total Governmental Activities

(This summary has not been audited)

	Net (Expense) Revenue and Changes in Net Position				
	Fiscal Year Ended June 30				
	2017	2016	2015	2014	2013
Governmental activities:					
Instructional services.....	\$ (8,871,653)	\$ (7,438,658)	\$ (8,627,007)	\$ (7,457,261)	\$ (7,636,219)
Supporting services:					
Operation and maintenance of school buildings.....	(1,496,519)	(1,353,436)	(1,245,326)	(1,295,822)	(1,203,229)
School administration.....	(982,621)	(1,084,126)	(827,700)	(839,786)	(945,593)
Student transportation.....	(439,082)	(510,207)	(499,819)	(508,313)	(476,629)
District administration.....	(419,334)	(411,686)	(395,388)	(373,029)	(374,776)
Business.....	(593,183)	(384,961)	(342,910)	(342,705)	(369,350)
Students.....	(297,423)	(256,018)	(236,725)	(246,048)	(231,631)
Instructional staff.....	(119,312)	(88,107)	(74,966)	(111,484)	(155,645)
Other.....	(22,259)	(27,693)	(23,481)	(20,007)	(2,515)
Interest on long-term liabilities.....	(563,138)	(614,815)	(717,980)	(1,080,709)	(1,025,723)
Community services.....	(284,987)	(285,068)	(225,247)	(219,590)	(239,463)
School lunch services.....	82,459	61,575	43,681	(31,156)	23,845
Total school district.....	<u>(14,007,052)</u>	<u>(12,393,200)</u>	<u>(13,172,868)</u>	<u>(12,525,910)</u>	<u>(12,636,928)</u>
General revenues:					
Federal and state aid not restricted to specific purposes..	8,296,077	7,726,166	7,338,654	7,379,612	7,076,940
Property taxes levied for:					
General purposes.....	3,887,313	3,944,145	3,465,809	3,339,469	3,526,214
Debt service.....	2,207,609	2,191,649	2,425,325	2,648,893	2,805,401
Capital outlay.....	1,739,425	1,419,275	1,351,788	972,705	975,499
Recreation.....	266,619	257,115	251,610	235,109	245,076
Miscellaneous.....	262,950	307,223	79,016	254,921	111,272
Earnings on investments.....	112,554	61,762	32,054	22,424	19,798
Total general revenues.....	<u>16,772,547</u>	<u>15,907,335</u>	<u>14,944,256</u>	<u>14,853,133</u>	<u>14,760,200</u>
Change in net position.....	<u>2,765,495</u>	<u>3,514,135</u>	<u>1,771,388</u>	<u>2,327,223</u>	<u>2,123,272</u>
Net position—beginning (as restated) (1).....	<u>15,645,172</u>	<u>12,131,037</u>	<u>10,359,649</u>	<u>14,324,210</u>	<u>12,200,938</u>
Net position—ending.....	<u>\$ 18,410,667</u>	<u>\$ 15,645,172</u>	<u>\$ 12,131,037</u>	<u>\$ 16,651,433</u>	<u>\$ 14,324,210</u>

(1) Adoption of GASB 68 required a restatement of the beginning Net Position in the amount of \$6,291,784 for the pension liability and related deferred outflows and inflows in Fiscal Year 2015.

This report is presented in summary format concerning the single item of “Net (Expense) Revenue and Changes in Net Assets” and is not intended to be complete.

(Source: Information taken from the District’s basic financial statements. Compiled by the Municipal Advisor.)

Morgan County School District

Balance Sheet—Major Funds—General Fund

(This summary has not been audited)

	Fiscal Year Ended June 30				
	2017	2016	2015	2014	2013
Assets					
Cash and Investments.....	\$ 7,617,847	\$ 6,037,439	\$ 4,423,341	\$ 2,980,235	\$ 2,670,806
Receivables:					
Property taxes.....	3,496,624	3,407,153	3,399,167	3,106,461	2,774,890
Other governments.....	279,495	51,600	—	—	11,094
Other receivables.....	12,031	8,879	—	—	—
Accounts receivable.....	—	—	—	—	14,349
Prepaid expenditures.....	—	—	880	880	880
Total assets.....	\$ 11,405,997	\$ 9,505,071	\$ 7,823,388	\$ 6,087,576	\$ 5,472,019
Liabilities:					
Accounts payable.....	566,263	808,579	795,606	630,608	748,309
Accrued salaries.....	1,073,361	657,879	705,598	645,365	1,079,287
Total liabilities.....	1,639,624	1,466,458	1,501,204	1,275,973	1,827,596
Deferred inflows of resources:					
Property taxes levied for future year.....	3,456,759	3,351,436	3,180,008	2,737,735	2,678,482
Fund balances:					
Restricted for:					
Other.....	1,011,944	805,996	350,614	350,614	144,168
Committed to:					
Economic stabilization.....	250,000	250,000	250,000	250,000	250,000
Employee benefit obligation.....	42,000	42,000	42,000	41,750	40,900
Other.....	—	—	130,672	183,000	183,000
Unassigned.....	5,005,670	3,589,181	2,368,890	1,248,504	347,873
Total fund equity.....	6,309,614	4,687,177	3,142,176	2,073,868	965,941
Total liabilities and fund equity.....	\$ 11,405,997	\$ 9,505,071	\$ 7,823,388	\$ 6,087,576	\$ 5,472,019

(Source: Information taken from the District's basic financial statements. Compiled by the Municipal Advisor.)

Morgan County School District

Statement of Revenues, Expenditures and Changes in Fund Balances Major Funds—General Fund

(This summary has not been audited)

	Fiscal Year Ended June 30				
	2017	2016	2015	2014	2013
Revenues:					
State of Utah.....	\$ 12,532,559	\$ 11,426,749	\$ 10,948,457	#####	\$ 9,457,074
Property taxes.....	3,788,066	3,805,198	3,473,389	3,375,983	3,536,876
Other local sources.....	219,758	469,560	246,154	347,456	190,129
Federal government.....	521,031	548,837	548,041	516,111	576,728
Earnings on investments.....	56,068	29,368	14,292	11,883	9,397
Total revenues.....	<u>17,117,482</u>	<u>16,279,712</u>	<u>15,230,333</u>	<u>14,412,040</u>	<u>13,770,204</u>
Expenditures:					
Instructional services.....	10,539,347	10,202,727	9,826,511	9,072,839	9,283,541
Support services:					
Operation and maintenance of facilities.....	1,464,017	1,310,480	1,246,957	1,271,658	1,173,912
School administration.....	1,162,798	1,146,562	1,135,881	1,018,732	1,064,897
Transportation.....	900,150	888,034	842,238	848,851	808,183
District administration.....	400,126	398,711	386,368	353,920	360,474
Business.....	592,760	387,271	347,954	342,705	369,350
Students.....	295,729	282,816	273,285	263,917	248,500
Instructional staff.....	118,889	90,417	80,010	111,484	155,645
Other	22,259	27,693	23,481	20,007	2,515
Total expenditures.....	<u>15,496,075</u>	<u>14,734,711</u>	<u>14,162,685</u>	<u>13,304,113</u>	<u>13,467,017</u>
Excess revenues over expenditures.....	1,621,407	1,545,001	1,067,648	1,107,927	303,187
Other financing sources (uses):					
Sale of capital assets.....	1,030	—	660	—	—
Excess (deficiency) of revenues and other sources over expenditures and other uses.....	1,622,437	1,545,001	1,068,308	1,107,927	303,187
Fund balances at beginning of year.....	4,687,177	3,142,176	2,073,868	965,941	662,754
Fund balances at end of year.....	<u>\$ 6,309,614</u>	<u>\$ 4,687,177</u>	<u>\$ 3,142,176</u>	<u>\$ 2,073,868</u>	<u>\$ 965,941</u>

Source: Information taken from the District's basic financial statements. Compiled by the Municipal Advisor.)

Tax Levy And Collection

The Utah State Tax Commission (the “State Tax Commission”) must assess all centrally–assessed property (as defined under “Property Tax Matters” below) by May 1 of each year. County assessors must assess all locally–assessed property (as defined under “Property Tax Matters” below) before May 22 of each year. The State Tax Commission apportions the value of centrally–assessed property to the various taxing entities within each county and reports such values to county auditors before June 8. The governing body of each taxing entity must adopt a proposed tax rate or, if the tax rate is not more than the certified tax rate, a final tax rate before June 22; provided if the governing body has not received the taxing entity’s certified tax rate at least seven days prior to June 22, the governing body of the taxing entity must, no later than 14 days after receiving the certified tax rate from the county auditor, adopt a proposed tax rate or, if the tax rate is not more than the certified tax rate, a final tax rate. County auditors must forward to the State Tax Commission a statement prepared by the legislative body of each taxing entity showing the amount and purpose of each levy. Upon determination by the State Tax Commission that the tax levies comply with applicable law and do not exceed maximum permitted rates, the State Tax Commission notifies county auditors to implement the levies. If the State Tax Commission determines that a tax levy established by a taxing entity exceeds the maximum levy permitted by law, the State Tax Commission must lower the levy to the maximum levy permitted by law, notify the taxing entity that the rate has been lowered and notify the county auditor (of the county in which the taxing entity is located) to implement the rate established by the State Tax Commission.

On or before July 22 of each year, the county auditors must mail to all owners of real estate shown on their assessment rolls notice of, among other things, the value of the property, itemized tax information for all taxing entities and the date their respective county boards of equalization will meet to hear complaints. Taxpayers owning property assessed by a county assessor may file an application within statutorily defined time limits based on the nature of the contest with the appropriate county board of equalization for contesting the assessed valuation of their property. The county board of equalization must render a decision on each appeal in the time frame prescribed by the Property Tax Act. Under certain circumstances, the county board of equalization must hold a hearing regarding the application, at which the taxpayer has the burden of proving that the property sustained a decrease in fair market value. Decisions of the county board of equalization may be appealed to the State Tax Commission, which must decide all appeals relating to real property by March 1 of the following year. Owners of centrally–assessed property, or any county with a showing of reasonable cause, may, on or before the later of June 1 or a day within 30 days of the date the notice of assessment is mailed by the State Tax Commission, apply to the State Tax Commission for a hearing to contest the assessment of centrally–assessed property. The State Tax Commission must render a written decision within 120 days after the hearing is completed and all post–hearing briefs are submitted. The county auditor makes a record of all changes, corrections and orders, and delivers before November 1 the corrected assessment rolls to the county treasurers. By November 1, each county treasurer furnishes each taxpayer a notice containing the kind and value of the property assessed to the taxpayer, the street address of the property, where applicable, the amount of the tax levied on the property and the year the property is subject to a detailed review.

Taxes are due November 30 (if a Saturday, Sunday or holiday, the next business day). Each county treasurer is responsible for collecting all taxes levied on real property within that county. There are no prior claims to such taxes. As taxes are collected, each county treasurer must pay to the State and each taxing entity within the county its proportionate share of the taxes, on or before the tenth day of each month. Delinquent taxes are subject to a penalty of 2.5% of the amount of the taxes or \$10 whichever is greater. Unless the delinquent taxes and penalty are paid before January 31 of the following year, the amount of delinquent taxes and penalty bears interest at the federal funds rate target established by the Federal Open Market Committee plus 6% from the January 1 following the delinquency date until paid (provided that said interest may not be less than 7% nor more than 10%). If delinquent taxes have not been paid by March 15 following the lapse of four years from the delinquency date, the affected county advertises and sells the property at a final tax sale held in May or June of the fifth year after assessment.

The process described above changes if a county or other taxing entity proposes a tax rate more than the certified tax rate (as described under “Public Hearing On Certain Tax Increases” below). If such an increase is proposed, the taxing entity must adopt a proposed tax rate before June 22. In addition, the county auditor must include certain information in the notices to be mailed by July 22, as described in the second preceding paragraph, including information concerning the tax impact of the proposed increase on the property and the time and place of the public hearing described in “Public Hearing On Certain Tax Increases” below. In most cases, notice of the public hearing must also be advertised by publication. After the public hearing is held, the taxing entity may adopt a resolution levying a tax more than the certified tax rate. A resolution levying a tax more than the certified tax rate must be forwarded to the county auditor by August 17. The final tax notice is then mailed by November 1.

Public Hearing On Certain Tax Increases

Each taxing entity that proposes to levy a tax rate that exceeds the “certified tax rate” may do so, by resolution, only after holding a properly noticed public hearing. Generally, the certified tax rate is the rate necessary to generate the same property tax revenue that the taxing entity collected for the prior year, with certain exclusions. For purposes of calculating the certified tax rate, county auditors are to use the taxable value of property on the assessment rolls, exclusive of new growth. New growth is any increase in taxable value of the taxing entity from the previous calendar year to the current year less the amount of increase to locally-assessed real property taxable values resulting from factoring, reappraisal, other adjustments, or changes in the method of apportioning taxable value. With certain exceptions, the certified tax rate for the minimum school levy, debt service voted on by the public and certain state and county assessing and collecting levies are the actual levies imposed for such purposes and no hearing is required for these levies.

Among other requirements, on or before July 22 of the year in which such an increase is proposed, the county auditor must mail to all property owners a notice of the public hearing. In most cases, the taxing entity must advertise the notice of public hearing by publication in a newspaper. Such notices must state, among other things, the value of the property, the time and place of the public hearing, and the tax impact of the proposed increase.

Property Tax Matters

The Property Tax Act provides that all taxable property is required to be assessed and taxed at a uniform and equal rate based on its “fair market value” as of January 1 of each year, unless otherwise provided by law. “Fair market value” is defined in the Property Tax Act as “the amount at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts.” Pursuant to an exemption for residential property provided for under the Property Tax Act and Article XIII of the State Constitution, the “fair market value” of residential property is reduced by 45%. The residential exemption is limited to one acre of land per residential unit and to one primary residence per household, except that an owner of multiple residential properties may exempt his or her primary residence and each residential property that is the primary residence of a tenant.

The Property Tax Act provides that the State Tax Commission shall assess certain types of property (“centrally-assessed property”), including (i) properties that operate as a unit across county lines that must be apportioned among more than one county or state, (ii) public utility (including railroad) properties, (iii) airline operating properties, (iv) geothermal resources and (v) mines, mining claims and appurtenant machinery, facilities and improvements. All other taxable property (“locally-assessed property”) is required to be assessed by the county assessor of the county in which such locally-assessed property is located. Each county assessor must update property values annually based upon a systematic review of current market data and must also complete a detailed review of property characteristics for each parcel of property at least once every five years. The Property Tax Act requires that the State Tax Commission

conduct an annual investigation in each county to determine whether all property subject to taxation is on the assessment rolls and whether the property is being assessed at its “fair market value.”

The State Tax Commission and the county assessors utilize various valuation methods, as determined by statute, administrative regulation or accepted practice, to determine the “fair market value” of taxable property.

Uniform Fees. An annual statewide uniform fee is levied on tangible personal property in lieu of the ad valorem tax. The uniform fee is based on the value of motor vehicles, watercraft, recreational vehicles, and all other tangible personal property required to be registered with the State. The current uniform fee is established at 1.5% of the fair market value of motor vehicles that weigh 12,001 pounds or more, watercraft, recreational vehicles and all other tangible personal property required to be registered with the State, excluding exempt property such as aircraft and property subject to an age-based fee. Motor vehicles weighing 12,000 pounds or less and certain other vehicles are subject to an age-based fee that is due each time the vehicle is registered. The revenues collected from the various uniform fees are distributed by the county to the taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property is distributed.

Historical Tax Rates Of The District

	Maximum Tax Rate (1)	Tax Rate (Fiscal Year)				
		2017–18	2016–17	2015–16	2014–15	2013–14
General fund:						
Board local leeway.....	.002500 (3)	.002010	.002220	.002349	.002349	.002342
Basic school levy (2).....	formula	<u>.001568</u>	<u>.001675</u>	<u>.001736</u>	<u>.001419</u>	<u>.001535</u>
Sub-totals		<u>.003578</u>	<u>.003895</u>	<u>.004085</u>	<u>.003768</u>	<u>.003877</u>
Capital outlay:						
Capital local levy (4).....	.003000	<u>.002077</u>	<u>.001631</u>	<u>.001380</u>	<u>.001370</u>	<u>.001055</u>
Debt service (general obligation bonds):						
Debt service (5).....	none	<u>.001927</u>	<u>.002070</u>	<u>.002131</u>	<u>.002458</u>	<u>.002873</u>
Charter school levy (6)	(3)	<u>.000014</u>	—	—	—	—
Judgment recovery levy (7)	none	—	—	—	—	—
Total all funds.....		<u>.007596</u>	<u>.007596</u>	<u>.007596</u>	<u>.007596</u>	<u>.007805</u>

(1) Maximum tax rate where applicable under current State law.

(2) Set by law for the District’s portion of the State Minimum School Program.

(3) The Board local leeway and the Charter school levy are both included in calculating the maximum tax rate for the Board local leeway of .002500.

(4) Construction remodeling projects and purchase of school sites/equipment, textbooks and supplies.

(5) There is no maximum limitation to levies made to provide for payment of the principal of and interest on general obligation bonds authorized by vote of school district electors.

(6) Charter school levy revenues to be directed to State Charter School program.

(7) A “judgment levy” is levied for collecting additional revenues. The Board has the legal right to levy a “judgment levy” in the succeeding tax year to make up for any tax revenue shortfall due to tax or revaluation “judgment” circumstances that the Board had no control over.

(Source: Reports from the Utah State Tax Commission. Compiled by the Municipal Advisor.)

See “STATE OF UTAH SCHOOL FINANCE” below.

Comparative Ad Valorem Total Property Tax Rates Within Morgan County

This table only reflects those municipal entities and property tax rates within the County, except as noted.

<u>Tax Levying Entity</u>	<u>Total Tax Rate Within Taxing Area (1)</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Morgan City012025	.012409	.012069	.012682	.006853
Unincorporated areas (2).....	.010940	.011195	.010923	.011556	.005496

(1) These tax rates represent a taxing district within the city or town with the highest combined total tax rates of all overlapping taxing districts.

(2) These tax rates represent a taxing district within the unincorporated municipalities within the County with the highest combined total tax rates of all overlapping taxing districts.

(Source: Reports from the Utah State Tax Commission. Compiled by the Municipal Advisor.)

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Taxable, Fair Market And Market Value Of Property

Calendar Year	Taxable Value (2)	% Change Over Prior Year	Fair Market/ Market Value (3)	% Change Over Prior Year
2017 (1)	\$ 1,111,893,624	7.4	\$ 1,626,514,352	9.4
2016	1,034,881,536	7.7	1,486,097,466	8.5
2015	960,864,346	6.3	1,369,590,055	6.5
2014	904,156,099	7.4	1,286,426,435	9.2
2013	841,526,125	1.1	1,177,912,375	1.9

(1) Preliminary; subject to change.

(2) Taxable valuation includes redevelopment agency valuation. The estimated redevelopment agency valuation for Calendar Year 2017 was approximately \$9.6 million; for Calendar Year 2016 was approximately \$9.8 million; for Calendar Year 2015 was approximately \$5.7 million; for Calendar Year 2014 was approximately \$7.5 million; and for Calendar Year 2013 was approximately \$6.2 million.

(3) Estimated fair market values were calculated by dividing the taxable value of primary residential property by 55%, which eliminates the 45% exemption on primary residential property granted under the Property Tax Act. Does not include market valuation for SCME.

(Source: Information taken from reports of the State Tax Commission. Compiled by the Municipal Advisor.)

Historical Summaries Of Taxable Values Of Property

	Calendar Year					
	2017		2016	2015	2014	2013
	Taxable Value*	% of T.V.	Taxable Value	Taxable Value	Taxable Value	Taxable Value
Set by State Tax Commission (centrally assessed):						
Total centrally assessed.....	\$ 197,281,629	17.7 %	\$ 196,298,313	\$ 184,746,379	\$ 166,702,224	\$ 162,120,345
Set by County Assessor (locally assessed):						
Real property (land and buildings):						
Primary residential.....	628,554,832	56.5	551,079,050	499,090,577	466,750,348	410,716,321
Secondary residential.....	63,173,069	5.7	57,075,680	56,835,743	53,169,824	49,506,763
Commercial and industrial.....	86,251,842	7.8	83,294,585	80,537,647	76,462,695	75,553,773
FAA (greenbelt).....	10,364,510	0.9	10,317,726	10,215,628	10,761,384	10,948,030
Unimproved non FAA (vacant)....	67,570,399	6.1	72,589,180	62,607,042	64,748,840	66,873,973
Agricultural.....	9,995,611	0.9	9,583,905	9,391,840	8,664,084	8,591,397
Total real property.....	865,910,263	77.9	783,940,126	718,678,477	680,557,175	622,190,257
Personal property:						
Primary mobile homes.....	426,058	0.0	407,087	463,067	468,952	422,429
Secondary mobile homes.....	5,000	0.0	5,000	5,000	5,000	50,617
Other business.....	48,270,674	4.3	54,231,010	56,971,423	56,422,748	56,742,477
SCME (1).....	0	0.0	0	0	0	0
Total personal property.....	48,701,732	4.4	54,643,097	57,439,490	56,896,700	57,215,523
Total locally assessed.....	914,611,995	82.3	838,583,223	776,117,967	737,453,875	679,405,780
Total taxable value.....	\$ 1,111,893,624	100.0 %	\$ 1,034,881,536	\$ 960,864,346	\$ 904,156,099	\$ 841,526,125

* Preliminary; subject to change.

(1) Semi-conductor manufacturing equipment ("SCME").

(Source: Information taken from reports of the State Tax Commission. Compiled by the Municipal Advisor.)

Tax Collection Record

Ad valorem property taxes are due on November 30th of each year. Final Calendar Year 2017 tax collections (due November 30, 2017) are not available.

Tax Year	(1) Total Taxes Levied	(2) Treasurer's Relief	Net Taxes Assessed	Current Collections	(3) Delinquent, Personal Property and Miscellaneous Collections	(4) Total Collections	% of Current Collections to Net Taxes Assessed	% of Total Collections to Net Taxes Assessed
12/31								
2016	\$7,860,960	\$119,374	\$7,741,586	\$7,169,444	\$683,147	\$7,852,591	92.6%	101.4%
2015	7,298,726	111,043	7,187,683	6,839,643	496,285	7,335,928	95.2	102.1
2014	6,884,861	96,576	6,788,285	6,430,916	607,352	7,038,268	94.7	103.7
2013	6,564,930	79,981	6,644,911	5,866,197	869,079	6,735,270	88.3	101.4
2012	6,437,339	84,880	6,352,459	5,579,571	916,913	6,496,484	87.8	102.3

(1) Excludes redevelopment agencies valuation.

(2) Treasurer's Relief includes abatements established by statute to low-income, elderly and for hardship situations. These Treasurer's Relief items are levied against the property, but are never collected and paid to the entity.

(3) Delinquent Collections include interest; sales of real and personal property; and miscellaneous delinquent collections.

(4) In addition to the Total Collections indicated above, the District also collected Uniform Fees (fees-in-lieu payments) for tax year 2016 of \$621,324; for tax year 2015 of \$593,093; for tax year 2014 of \$443,933; for tax year 2013 of \$619,573; and for tax year 2012 of \$524,901 from tax equivalent property associated with motor vehicles, watercraft, recreational vehicles, and all other tangible personal property required to be registered with the State.

(Source: Reports from the Utah State Tax Commission. Compiled by the Municipal Advisor.)

Some Of The Largest Taxpayers

The 10 largest ad valorem property taxpayers for Fiscal Year 2018 (Calendar Year or Tax Year 2017) is as follows:

Taxpayer	Type of Business	(1) 2017 Taxable Value	% of the District's 2017 Pre Tax Value
SLC Pipeline Inc.	Pipeline (oil)	\$ 69,158,061	6.1%
Holnam Inc.	Wholesale, manufacturing	28,646,855	2.5
Union Pacific Railroad Co.	Transportation/warehousing	23,775,588	2.1
Pacificorp.	Electric utility	21,559,631	1.9
Pioneer Pipe Line Co.	Pipeline (natural gas)	20,333,794	1.8
Kern River Transmission	Pipeline (natural gas)	18,107,835	1.6
Questar Pipeline Company	Pipeline (natural gas)	16,107,835	1.4
Holcim US Inc. Mine	Cement manufacturing	5,895,292	0.5
East Canyon Resort.	Arts, entertainment, and rec	5,271,007	0.5
Questar Gas.	Natural gas utility	4,846,141	0.4
Totals		<u>\$213,702,039</u>	18.7%

(1) Taxable Value used in this table *excludes* the taxable value used to determine "uniform fees" on tangible personal property.

(Source: Information taken from reports of the Morgan County Assessor, compiled by the Municipal Advisor.)

STATE OF UTAH SCHOOL FINANCE

Sources Of Funds

Funding for schools in the State is provided from local school district sources consisting of property taxes imposed by the local school district (“Local District Funding”), State sources that are funded primarily by State imposed personal income taxes and corporate franchise taxes (“State Funding”) and federal sources (“Federal Funding”). For Fiscal Year 2017, approximately 73% of the District’s funding was provided by State Funding, approximately 24% was provided by Local District Funding, and approximately 3% was provided from Federal Funding. See “APPENDIX A—FINANCIAL STATEMENTS OF MORGAN COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2017.”

Local District Funding

School districts are authorized by State law to levy taxes, certain of which require voter approval, on real property for various purposes. Funding for operation and maintenance is derived primarily through a minimum tax levy (the “Minimum Tax Levy”) by each school district at a rate established each year by the State. Imposition of this Minimum Tax Levy is required for a school district to qualify for receipt of contributions by the State for such purposes. Additional tax levies for, among other things, educational programs and capital outlay and debt service to finance capital outlays may be made at the option of a school district. Certain of such levies will entitle a school district to State guaranteed levels of funding or receipt of specific additional contributions from the State. The Board has received all voter approval necessary for the taxes it currently levies. See “FINANCIAL INFORMATION REGARDING MORGAN COUNTY SCHOOL DISTRICT, UTAH—Historical Tax Rates Of The District” above.

State Funding

Under its school funding program, the State guarantees that in connection with the Minimum Tax Levy and certain of a school district’s additional tax levies each school district will receive certain amounts based primarily on the number of students attending schools in such district. To the extent that such levies do not generate receipts at least equal to such guaranteed amounts, the State contributes funds to the school district in the amount of the shortfall. If a school district’s receipts from such levies reach such prescribed levels, there is no State contribution to such district. Further, school district receipts from the Minimum Tax Levy more than the guaranteed amounts are required to be paid over to the State for distribution to other school districts.

In addition to any contributions relating to shortfalls described above, the State annually appropriates fixed amounts to fund certain programs and services statewide. Funds for contributions to school districts and for other programs and services are appropriated from the State Uniform School Fund and the Education Fund, which are funded primarily from personal income taxes and corporate franchise taxes. State Funding is also available, under certain circumstances, to school districts for payment of a portion of capital costs.

Federal Funding

Federal funding is provided for various school programs including child nutrition, vocational education and special education.

Summary Of State And Federal Funding

During the past five–years, the District received the following in State and federal funding:

	Fiscal Year				
	2017	2016	2015	2014	2013
State Funds					
General	\$12,532,559	\$11,426,749	\$10,948,457	\$10,160,607	\$9,457,074
Other governmental.....	<u>202,454</u>	<u>193,642</u>	<u>177,021</u>	<u>171,987</u>	<u>264,894</u>
Total	<u>\$12,735,013</u>	<u>\$11,620,391</u>	<u>\$11,125,478</u>	<u>\$10,332,594</u>	<u>\$9,721,968</u>
% change over prior year	9.6%	4.4%	7.7%	6.3%	6.4%
Federal Funds					
General	\$521,031	\$548,837	\$548,041	\$516,111	\$576,728
Other governmental.....	202,454	336,277	299,172	175,283	313,826
Capital projects	—	<u>146,905</u>	<u>160,486</u>	<u>308,339</u>	<u>195,739</u>
Total	<u>\$995,408</u>	<u>\$1,032,019</u>	<u>\$1,007,699</u>	<u>\$999,733</u>	<u>\$1,086,293</u>
% change over prior year	(3.5)%	2.4%	0.8%	(8.0)%	(12.7)%

(Source: Information taken from the District’s audited financial statements for the indicated years. This summary has not been audited. Compiled by the Municipal Advisor.)

See “FINANCIAL INFORMATION REGARDING MORGAN COUNTY SCHOOL DISTRICT, UTAH—Financial Summaries” above.

LEGAL MATTERS

Absence Of Litigation

The attorneys for the Board, Lear & Lear LLP, Salt Lake City, Utah, have advised that, to the best of their knowledge after due inquiry, there is no pending or threatened litigation that would legally stop, enjoin, or prohibit the issuance, sale or delivery of the 2018 Bonds.

TAX EXEMPTION

Federal Income Taxation Of 2018 Bonds

In the opinion of Farnsworth Johnson PLLC (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2018 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). In the further opinion of Bond Counsel, interest on the 2018 Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel notes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expects to deliver an opinion at the time of issuance of the 2018 Bonds substantially in the form set forth in “APPENDIX B—PROPOSED FORM OF OPINION OF BOND COUNSEL” hereto.

To the extent the issue price of any maturity of the 2018 Bonds is less than the amount to be paid at maturity of such 2018 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2018 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2018 Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the 2018 Bonds is the first price at which a substantial amount of such maturity of

the 2018 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2018 Bonds accrues daily over the term to maturity of such 2018 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2018 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2018 Bonds. Beneficial Owners of the 2018 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2018 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2018 Bonds in the original offering to the public at the first price at which a substantial amount of such 2018 Bonds is sold to the public.

Any 2018 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2018 Bonds. The Board has made certain representations and covenanted to comply with certain restrictions, conditions, and requirements designed to ensure that interest on the 2018 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2018 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2018 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the 2018 Bonds may adversely affect the value of, or the tax status of interest on, the 2018 Bonds.

Although Bond Counsel is of the opinion that interest on the 2018 Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the 2018 Bonds may otherwise affect a Beneficial Owner’s federal, state, or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code, or court decisions may cause interest on the 2018 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code, or court decisions may also affect the market price for, or marketability of, the 2018 Bonds. Prospective purchasers of the 2018 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the 2018 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Board or about the effect of future changes in the Code, the applicable regulations,

the interpretation thereof or the enforcement thereof by the IRS. The Board has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2018 Bonds ends with the issuance of the 2018 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Board or the Beneficial Owners regarding the tax-exempt status of the 2018 Bonds in the event of an audit examination by the IRS. Under current procedures, parties (such as the Beneficial Owners) other than the Board and its appointed counsel would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Board legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the 2018 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2018 Bonds, and may cause the Board or the Beneficial Owners to incur significant expense.

State Tax Exemption For The 2018 Bonds

In the opinion of Bond Counsel, under the existing laws of the State, as presently enacted and construed, interest on the 2018 Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act. Bond Counsel expresses no opinion with respect to any other taxes imposed by the State or any political subdivision thereof. Ownership of the 2018 Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the 2018 Bonds. Prospective purchasers of the 2018 Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

MISCELLANEOUS

General

The authorization and issuance of the 2018 Bonds are subject to the approval of Farnsworth Johnson PLLC, Bond Counsel to the Board. Certain legal matters will be passed upon for the Board by the attorney for the Lear & Lear LLP, Salt Lake City, Utah. The approving opinion of Bond Counsel will be delivered with the 2018 Bonds. A copy of the opinion of Bond Counsel in substantially the form set forth in "APPENDIX B—PROPOSED FORM OF OPINION OF BOND COUNSEL" will be made available upon request from the contact persons as indicated under "INTRODUCTION—Contact Persons" above.

Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness, or sufficiency of the OFFICIAL STATEMENT or other offering material relating to the 2018 Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this OFFICIAL STATEMENT.

The various legal opinions to be delivered concurrently with the delivery of the 2018 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Bond Ratings

As of the date of this OFFICIAL STATEMENT, the 2018 Bonds have been rated "Aaa" by Moody's, based upon the Guaranty Act. An explanation of the above rating may be obtained from Moody's. The Board has not directly applied to Fitch Ratings or S&P Global Ratings for ratings on the 2018 Bonds.

Additionally, as of the date of this OFFICIAL STATEMENT, Moody's has given the 2018 Bonds an underlying rating of "A1."

Any explanation of the significance of these outstanding ratings may only be obtained from the rating service furnishing the same. There is no assurance that the ratings given the outstanding general obligation bonds will continue for any given period or that the ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2018 Bonds.

Municipal Advisor

The Board has entered an agreement with the Municipal Advisor where under the Municipal Advisor provides financial recommendations and guidance to the Board with respect to preparation for sale of the 2018 Bonds, timing of sale, tax-exempt bond market conditions, costs of issuance and other factors related to the sale of the 2018 Bonds. The Municipal Advisor has read and participated in the drafting of certain portions of this OFFICIAL STATEMENT and has supervised the completion and editing thereof. The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in the OFFICIAL STATEMENT, or any other related information available to the Board, with respect to accuracy and completeness of disclosure of such information, and the Municipal Advisor makes no guaranty, warranty or other representation respecting accuracy and completeness of the OFFICIAL STATEMENT or any other matter related to the OFFICIAL STATEMENT.

Independent Auditors

The financial statements of the Board as of June 30, 2017 and for the year then ended, included in this OFFICIAL STATEMENT, have been audited by Gilbert & Stewart, Certified Public Accountants, Provo, Utah ("Gilbert & Stewart"), as stated in their report in "APPENDIX A—FINANCIAL STATEMENTS OF MORGAN COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2017" to this OFFICIAL STATEMENT.

Gilbert & Stewart have not participated in the preparation or review of this OFFICIAL STATEMENT. Based upon their non-participation, they have not consented to the use of their name in this OFFICIAL STATEMENT.

Additional Information

All quotations contained herein from and summaries and explanations of the State Constitution, statutes, programs and laws of the State, court decisions and the Resolution, do not purport to be complete, and reference is made to said State Constitution, statutes, programs, laws, court decisions and the Resolution for full and complete statements of their respective provisions.

Any statements in this OFFICIAL STATEMENT involving matters of opinion, whether expressly so stated, are intended as such and not as representation of fact.

The appendices attached hereto are an integral part of this OFFICIAL STATEMENT and should be read in conjunction with the foregoing material.

This OFFICIAL STATEMENT and its distribution and use have been duly authorized by the Board.

Board of Education of Morgan County School District, Utah

APPENDIX A

FINANCIAL STATEMENTS OF MORGAN COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2017

The financial statements of the Board for Fiscal Year 2017 are contained herein. Copies of current and prior financial statements are available upon request from the contact persons as indicated under “INTRODUCTION—Contact Persons” above.

The District’s basic financial statements for Fiscal Year 2018 must be completed under State law by November 30, 2018.

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MORGAN COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

MORGAN COUNTY SCHOOL DISTRICT

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MORGAN COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Morgan County School District
Morgan, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Morgan County School District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, disclosures related to pension liabilities, and budgetary comparison information on pages 3-9, 42-44, and 54-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic 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 November 17, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

GILBERT & STEWART, CPA, PC

Gilbert & Stewart

Provo, Utah 84601

November 17, 2017

**MORGAN COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017**

As management of the Morgan County School District (District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here, in conjunction with additional information that we have furnished.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the assets and liabilities of the District, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the District changed during the most recent fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 11 through 12 of this report.

Fund financial statements – A *fund* is a group of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

**MORGAN COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, each of which are considered to be major funds. Individual fund data for the debt service fund and the capital projects fund is provided in the form of *individual fund schedules* found on pages 54 through 55 of this report. Data from four governmental funds (special revenue funds) are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of *combining and individual fund statements and schedules* found on pages 46 through 52 of this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement is provided on page 17 for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

Notes to the basic financial statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18 through 40 of this report.

Government-wide Financial Analysis

As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$18.4 million at the close of the most recent fiscal year.

The largest portion of the District's net position is reflected as investments in capital assets (e.g., sites, site improvements, buildings, equipment, and vehicles, net of accumulated depreciation), less any related debt (general obligation bonds payable and obligations under capital leases less unspent bond proceeds) used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District'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 District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of the District's net position is in unrestricted net position. Unrestricted net position may be used to meet the District's ongoing obligations to students, employees, and vendors and to honor next year's budget.

At the end of the current fiscal year, the District is able to report positive balances in two of the three categories of Net Position, both for the District as a whole, and for its separate governmental activities. The same situation held true for the prior fiscal year.

**MORGAN COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017**

MORGAN COUNTY SCHOOL DISTRICT'S NET POSITION

	Governmental Activities		Total Change
	2017	2016	2017-16
Current and other assets	\$ 20,451,716	\$17,677,734	\$ 2,773,982
Capital assets	36,065,771	37,103,822	(1,038,051)
Total assets	<u>56,517,487</u>	<u>54,781,556</u>	<u>1,735,931</u>
Deferred outflow of Resources	<u>3,144,947</u>	<u>2,768,743</u>	<u>376,204</u>
Current and other liabilities	1,977,530	1,842,482	135,048
Noncurrent liabilities	<u>30,342,979</u>	<u>32,124,254</u>	<u>(1,781,275)</u>
	<u>32,320,509</u>	<u>33,966,736</u>	<u>(1,646,227)</u>
Deferred Inflow of Resources	<u>8,931,258</u>	<u>7,938,391</u>	<u>992,867</u>
Net Postion:			
Net investment in			
capital assets	15,021,627	14,024,255	997,372
Restricted	4,302,499	4,097,708	204,791
Unrestricted	<u>(913,459)</u>	<u>(2,476,791)</u>	<u>1,563,332</u>
	<u>\$ 18,410,667</u>	<u>\$15,645,172</u>	<u>\$ 2,765,495</u>

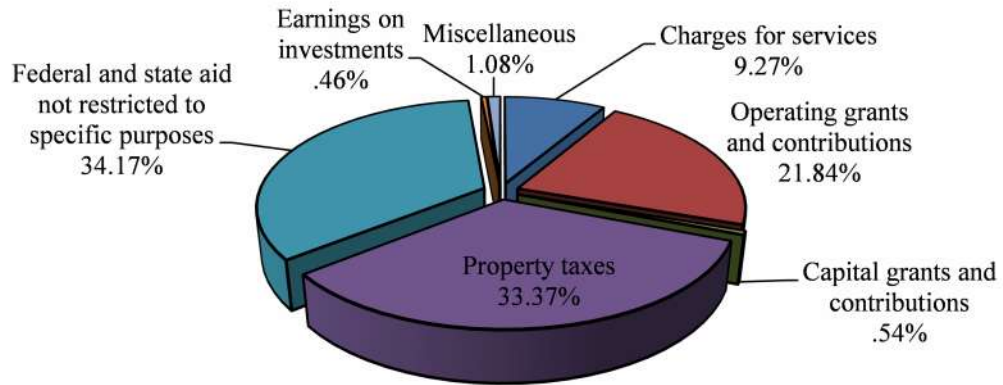
**MORGAN COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017**

MORGAN COUNTY SCHOOL DISTRICT'S CHANGES IN NET POSITION

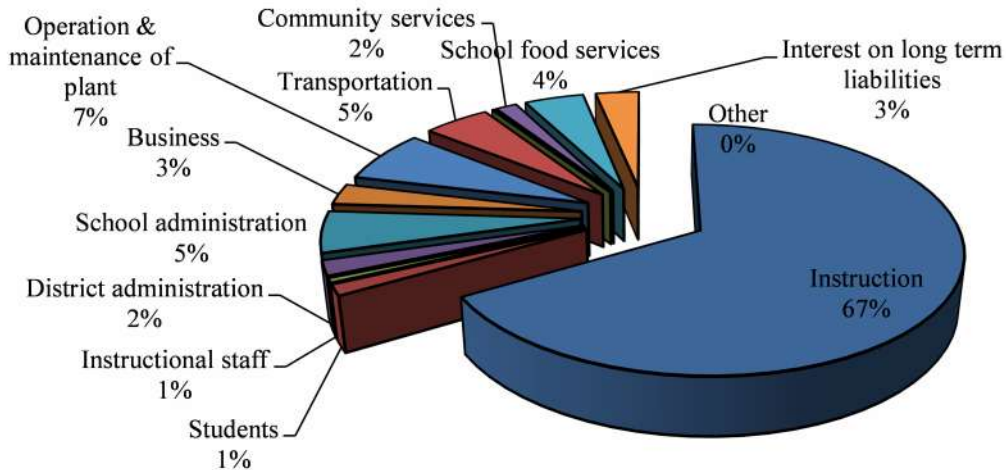
	Governmental Activities		Total Changes
	2017	2016	2017-16
Revenues:			
Program revenues:			
Charges for services	\$ 2,070,649	\$ 2,127,808	\$ (57,159)
Operating grants and contributions	5,302,508	4,779,339	523,169
Capital grants and contributions	131,836	146,905	(15,069)
General Revenues:			
Property taxes	8,100,966	7,812,184	288,782
Federal and state aid not restricted to specific purposes	8,296,077	7,726,166	569,911
Earnings on investments	112,554	61,762	50,792
Miscellaneous	262,950	307,223	(44,273)
Total revenues	<u>24,277,540</u>	<u>22,961,387</u>	<u>1,316,153</u>
Expenses:			
Instruction	14,341,722	12,537,307	1,804,415
Support services:			
Students	297,423	273,574	23,849
Instructional staff	119,312	88,107	31,205
District administration	419,334	411,686	7,648
School administration	1,173,661	1,269,646	(95,985)
Business	593,183	384,961	208,222
Operation & maintenance of plant	1,496,519	1,353,436	143,083
Transportation	1,059,811	1,058,043	1,768
Other	22,259	27,693	(5,434)
Community services	342,441	342,522	(81)
School lunch services	951,406	938,557	12,849
Interest on long term liabilities	694,974	761,720	(66,746)
Total expenses	<u>21,512,045</u>	<u>19,447,252</u>	<u>2,064,793</u>
Changes in net position	2,765,495	3,514,135	(748,640)
Net position, beginning	15,645,172	12,131,037	3,514,135
Net position, ending	<u>\$ 18,410,667</u>	<u>\$ 15,645,172</u>	<u>\$ 2,765,495</u>

**MORGAN COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017**

**Morgan County School District
Revenue by Source - Governmental Activities
Year Ended June 30, 2017**



**Morgan County School District
Expenses by Function - Governmental Activities
Year Ended June 30, 2017**



**MORGAN COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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

Governmental funds – The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. At June 30, 2017, the District's governmental funds reported a combined fund balance of \$10,942,312, which reflects an increase of \$1,803,350 from last year. In addition, the following changes in revenues and expenditures should be noted:

- Expenditures for the general fund totaled \$10,539,347. Instruction represents 68 percent of general fund expenditures. As found in other sections of the report, instructional costs were increased. The increase represents increases in operational costs.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into five categories based on liquidity and availability of appropriation. Non-spendable fund balances are not available (inventory), Restricted fund balances are available for a specified purpose, and Committed fund balances reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. Unassigned balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances of debt service, capital projects, and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion. On June 30, 2017, the District's governmental funds reported \$5,020,922 in restricted and non-spendable fund balances, \$915,720 in committed fund balance, and \$5,005,670 in unassigned fund balance. The majority of the reserved fund balance is in the Capital Fund in a Pay As You Go Fund where the district is accumulating revenue for future building projects.

Capital Asset and Debt Administration

Capital Assets – The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

MORGAN COUNTY SCHOOL DISTRICT'S CAPITAL ASSETS
(Net of Accumulated Depreciation)

	2017	2016	Total Change 2017-16
Land	\$ 1,162,183	\$ 1,162,183	\$ -
Buildings & Improvements	33,756,964	34,607,432	(850,468)
Furniture and Equipment	1,146,624	1,334,207	(187,583)
	<u>\$ 36,065,771</u>	<u>\$ 37,103,822</u>	<u>\$ (1,038,051)</u>

Additional information on the District's capital assets can be found in Note 4 to the basic financial statements.

**MORGAN COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Debt Administration – On March 3, 1998, the District issued \$3,505,000 in general obligation refunding bonds (Series 1998) with a fifteen-year maturity. These bonds were issued under the Utah School Bond Guarantee Program and were rated “AAA” by Standard and Poors. The original general obligation bonds were issued in 1992 in the amount of \$5 million to build the Morgan Middle School. In January of 2007 the District issued the newest bonds in the amount of \$25,000,000 for the construction of a new elementary school in Mtn. Green and additions to Morgan Elementary and Morgan High School. In 2011 the district issued \$4,000,000 of QSCB (Qualified School Construction Bonds) for the construction of a new transportation facility and an enclosed P E facility. Because these bonds were not voted levy bonds, the payments from these bonds will be from the Capital Levy. During 2015 the District issued General Obligation bonds in the amount of \$14,440,000 to partially refund the General Obligation Bonds Series 2007.

As of June 30, 2017, the District has outstanding principal balances of \$18,124,000.

The general obligation bonded debt of the District is limited by State law to 4 percent of the fair market value of the total taxable property in the District. The legal debt limit on June 30, 2017, was approximately **\$40.1** million. General obligation debt on June 30, 2017, was **\$18.1** million, resulting in a legal debt margin of **\$22** million.

MORGAN COUNTY SCHOOL OUTSTANDING BONDS

	<u>2017</u>	<u>2016</u>	<u>Total Change 2017-16</u>
General obligation bonds	\$ 15,840,000	\$ 17,190,000	\$ (1,350,000)
QSCB Lease revenue bonds	<u>2,284,000</u>	<u>2,570,000</u>	<u>(286,000)</u>
	<u><u>\$ 18,124,000</u></u>	<u><u>\$ 19,760,000</u></u>	<u><u>\$ (1,636,000)</u></u>

Additional information on the District's long-term debt can be found in Note 6 to the basic financial statements.

Requests for Information

This financial report is designed to provide a general overview of Morgan County School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Administrator, Morgan County School District, 240 East Young Street, Morgan, Utah 84050.

BASIC FINANCIAL STATEMENTS

MORGAN COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Primary Government Governmental Activities	Component Unit Education Foundation
Assets:		
Cash and investments	\$ 12,073,332	\$ 672,726
Receivables:		
Property taxes	7,939,817	-
Other governments	364,767	-
Other receivables	12,031	-
Inventories	61,769	-
Net pension asset	-	
Capital assets:		
Land and Construction in Progress	1,162,183	-
Other capital assets, net of accumulated depreciation	34,903,588	-
Total assets	<u>56,517,487</u>	<u>672,726</u>
Deferred outflows of resources:		
Deferred outflows relating to pensions	<u>3,144,947</u>	
Liabilities:		
Accounts payable	573,970	-
Accrued interest	330,199	-
Accrued salaries	1,073,361	-
Noncurrent liabilities:		
Due within one year	2,135,721	-
Due in more than one year	28,207,258	-
Total liabilities	<u>32,320,509</u>	<u>-</u>
Deferred Inflows of Resources:		
Property taxes levied for future period	7,862,073	-
Deferred inflows relating to pensions	1,069,185	
	<u>8,931,258</u>	<u>-</u>
Net Position:		
Net investment in capital assets	15,021,627	-
Restricted for:		
School lunch	366,707	-
Student activities	665,600	-
Non K-12 programs	100,500	-
Recreation programs	107,370	-
Debt service	1,076,022	-
Capital projects	1,986,300	-
Other	-	254,888
Unrestricted	<u>(913,459)</u>	<u>417,838</u>
Total net position	<u>\$ 18,410,667</u>	<u>\$ 672,726</u>

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

MORGAN COUNTY SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Education Foundation
Governmental activities:						
Instructional services	\$ 14,341,722	\$ 1,524,325	\$ 3,945,744	\$ -	\$ (8,871,653)	\$ -
Supporting services:						
Students	297,423	-	-	-	(297,423)	-
Instructional staff	119,312	-	-	-	(119,312)	-
District administration	419,334	-	-	-	(419,334)	-
School administration	1,173,661	-	191,040	-	(982,621)	-
Business	593,183	-	-	-	(593,183)	-
Operation and maintenance of facilities	1,496,519	-	-	-	(1,496,519)	-
Transportation	1,059,811	-	620,729	-	(439,082)	-
Other	22,259	-	-	-	(22,259)	-
Community Services	342,441	57,454	-	-	(284,987)	-
School food services	951,406	488,870	544,995	-	82,459	-
Interest on long-term liabilities	694,974	-	-	131,836	(563,138)	-
Total school district	<u>\$ 21,512,045</u>	<u>\$ 2,070,649</u>	<u>\$ 5,302,508</u>	<u>\$ 131,836</u>	<u>(14,007,052)</u>	<u>-</u>
Component Unit:						
Education Foundation	<u>\$ 128,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ (128,630)</u>
General revenues:						
Property taxes levied for:						
General purposes					3,887,313	-
Recreation					266,619	-
Debt service					2,207,609	-
Capital outlay					1,739,425	-
Federal and state aid not restricted to specific purposes					8,296,077	-
Earnings on investments					112,554	3,825
Miscellaneous					262,950	140,418
Total general revenues					<u>16,772,547</u>	<u>144,243</u>
Change in net position					2,765,495	15,613
Net position - beginning					<u>15,645,172</u>	<u>657,113</u>
Net position - ending					<u>\$ 18,410,667</u>	<u>\$ 672,726</u>

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

MORGAN COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2017

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Assets:					
Cash and investments	\$ 7,617,847	\$ 1,385,548	\$ 1,974,309	\$ 1,095,628	\$ 12,073,332
Receivables:					
Property taxes	3,496,624	1,996,450	2,145,594	301,149	7,939,817
Other governments	279,495	-	-	85,272	364,767
Other receivables	12,031	-	-	-	12,031
Inventories	-	-	-	61,769	61,769
Due from other funds	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-
Total assets	\$ 11,405,997	\$ 3,381,998	\$ 4,119,903	\$ 1,543,818	\$ 20,451,716
Liabilities:					
Liabilities:					
Accounts payable	\$ 566,263	\$ 513	\$ 4,702	\$ 2,492	\$ 573,970
Accrued salaries	1,073,361	-	-	-	1,073,361
Due to other funds	-	-	-	-	-
Total liabilities	1,639,624	513	4,702	2,492	1,647,331
Deferred Inflows of Resources:					
Property taxes levied for future year	3,456,759	1,975,264	2,128,901	301,149	7,862,073
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	61,769	61,769
Restricted for:					
Debt service	-	1,406,221	-	-	1,406,221
Capital outlay	-	-	1,986,300	-	1,986,300
Special transportation	-	-	-	-	-
Tort liability	-	-	-	-	-
School lunch	-	-	-	304,938	304,938
Restricted other	1,011,944	-	-	-	1,011,944
Committed for:					
Economic stabilization	250,000	-	-	-	250,000
Employee benefit obligations	42,000	-	-	-	42,000
Schools	-	-	-	665,600	665,600
Other	-	-	-	207,870	207,870
Unassigned:					
General fund	5,005,670	-	-	-	5,005,670
Total fund balances	6,309,614	1,406,221	1,986,300	1,240,177	10,942,312
Total liabilities, deferred inflows of resources and fund balances	\$ 11,405,997	\$ 3,381,998	\$ 4,119,903	\$ 1,543,818	\$ 20,451,716

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

MORGAN COUNTY SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017

Total fund balances for governmental funds	\$ 10,942,312
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Amounts reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 1,162,183	
Buildings and improvements, net of \$13,127,913 accumulated depreciation	33,756,964	
Furniture and equipment, net of \$3,288,872 accumulated depreciation	1,146,624	36,065,771

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for the general obligation, lease revenue bonds, and notes payable is \$330,199	(330,199)
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The net pension asset is not an available resource and therefore is not reported in the governmental funds	-
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Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:

Bonds payable	(18,124,000)	
Unamortized premiums	(2,439,689)	
Obligations under long term notes payable	(480,455)	
Net pension liability	(7,674,393)	
Deferred outflows of resources related to pensions	3,144,947	
Deferred inflows of resources related to pensions	(1,069,185)	
Compensated absences payable	(1,223,526)	
Post employment benefit obligation	(400,916)	(28,267,217)

Total net position of governmental activities	\$ 18,410,667
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MORGAN COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Revenues:					
Property taxes	\$ 3,788,066	\$ 2,252,363	\$ 1,774,617	\$ 285,920	\$ 8,100,966
Earnings on investments	56,068	24,027	32,459	-	112,554
School lunch sales	-	-	-	488,870	488,870
Other local sources	219,758	-	151,747	1,473,224	1,844,729
State aid	12,532,559	-	-	202,454	12,735,013
Federal aid	521,031	-	131,836	342,541	995,408
Total revenues	17,117,482	2,276,390	2,090,659	2,793,009	24,277,540
Expenditures:					
Current:					
Instructional services	10,539,347	-	-	1,320,743	11,860,090
Supporting services:					
Students	295,729	-	-	-	295,729
Instructional staff	118,889	-	-	-	118,889
District administration	400,126	-	-	-	400,126
School administration	1,162,798	-	-	-	1,162,798
Business	592,760	-	-	-	592,760
Operation and maintenance of facilities	1,464,017	-	-	-	1,464,017
Transportation	900,150	-	-	-	900,150
Other	22,259	-	-	-	22,259
Community services	-	-	-	341,593	341,593
School food services	-	-	-	930,389	930,389
Capital outlay	-	-	1,632,145	-	1,632,145
Debt service:					
Principal retirement	-	1,350,000	439,800	-	1,789,800
Interest and fiscal charges	-	811,721	152,754	-	964,475
Total expenditures	15,496,075	2,161,721	2,224,699	2,592,725	22,475,220
Excess (deficiency) of revenues over (under) expenditures	1,621,407	114,669	(134,040)	200,284	1,802,320
Other financing sources (uses):					
Transfers	-	-	-	-	-
Capital lease proceeds	-	-	-	-	-
Bond proceeds	-	-	-	-	-
Bond premium	-	-	-	-	-
Payments for defeasance of debt	-	-	-	-	-
Transfers out	-	-	-	-	-
Sale of capital assets	1,030	-	-	-	1,030
Total other financing sources (uses)	1,030	-	-	-	1,030
Net change in fund balances	1,622,437	114,669	(134,040)	200,284	1,803,350
Fund balances - beginning	4,687,177	1,291,552	2,120,340	1,039,893	9,138,962
Fund balances - ending	<u>\$ 6,309,614</u>	<u>\$ 1,406,221</u>	<u>\$ 1,986,300</u>	<u>\$ 1,240,177</u>	<u>\$ 10,942,312</u>

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

MORGAN COUNTY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Government Funds to the Statement of Activities
Year Ended June 30, 2017

Net change in fund balances-total governmental funds	\$ 1,803,350
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$2,000 for furniture and equipment and \$100,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 223,644	
Amounts attributable to disposal of assets	(119,880)	
Depreciation expense	(1,141,815)	(1,038,051)

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.

Principal payments of capital leases	153,800	153,800
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The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities, and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal and payments to bond escrow agent	1,636,000	
Interest expense - general obligation and lease revenue bonds	23,878	
Amortization of bond premium	245,623	1,905,501

In the statement of activities, certain operating expenses - compensated absences (vacations), special termination benefits (early retirement), and claims (arbitrage rebates) - are measured by the amounts earned during the year, and certain pension related expenses. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, accrued sick pay increased by \$4,198 and early retirement payable increased by \$12,568. Pension expense for the year was \$42,339. (59,105)

Change in net position of governmental activities	\$ 2,765,495
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MORGAN COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues:				
Property taxes	\$ 3,530,008	\$ 3,871,436	\$ 3,788,066	\$ (83,370)
Earnings on investments	9,000	43,000	56,068	13,068
Other local sources	141,600	220,320	219,758	(562)
State aid	12,103,876	12,547,189	12,532,559	(14,630)
Federal aid	514,154	507,997	521,031	13,034
Total revenues	16,298,638	17,189,942	17,117,482	(72,460)
Expenditures:				
Current:				
Instructional services	11,391,743	11,842,854	10,539,347	1,303,507
Supporting services:				
Students	305,098	338,208	295,729	42,479
Instructional staff	93,304	125,911	118,889	7,022
District administration	397,555	483,531	400,126	83,405
School administration	1,276,900	1,249,271	1,162,798	86,473
Central	403,472	663,778	592,760	71,018
Operation and maintenance of facilities	1,462,495	1,473,519	1,464,017	9,502
Transportation	939,676	948,724	900,150	48,574
Other	28,395	50,866	22,259	28,607
Total expenditures	16,298,638	17,176,662	15,496,075	1,680,587
Excess of revenues over expenditures	-	13,280	1,621,407	1,608,127
Other financing sources (uses):				
Proceeds from sale of capital assets	-	1,100	1,030	(70)
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Net change in fund balances	-	14,380	1,622,437	1,608,057
Fund balances - beginning	4,687,177	4,687,177	4,687,177	-
Fund balances - ending	\$ 4,687,177	\$ 4,701,557	\$ 6,309,614	\$ 1,608,057

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

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Morgan County School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Organization

Morgan County School District (District) operates under a board/superintendent form of government and provides public education to the residents of Morgan County, Utah.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial inter-dependency. Other manifestations of this ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application for this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has one component unit.

The discretely presented component unit column in the government-wide financial statements includes the financial data of the Education Foundation. The component unit is reported in a separate column to emphasize that the unit is legally separate from the District.

The Education Foundation was established to raise scholarship funds and disburse those funds to recipients. Separate financial statements of the Education Foundation may be obtained at the District Office.

During January of 2011, the Local Building Authority of Morgan County School District was organized. The Local Building Authority of the District (LBA) is a separate legal entity, but is governed by the school board of the District. The LBA is a component unit of the District. The purpose of the LBA is to serve the District as a financing agency for debt financed projects. During the year ended June 30, 2011, the LBA issued \$4 million of QSCB Lease Revenue Bonds to finance the completion of the new physical education facility and bus garage. Due to the restrictive nature of the State Board of Education's fund structure, a separate Local Building Authority Capital Projects Fund and Debt Service Fund have not been established. Therefore, the District has used its existing capital project and debt service funds to account for the construction and debt payments related to the LBA.

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and fund financial statements

The *government-wide financial statements* (the statement of net position and the statement of activities) display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities and any component units that are fiduciary in nature, where applicable. Eliminations have been made to minimize the double-counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function is included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building is used primarily for instructional, school administration, operation and maintenance of facilities, and school lunch services) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate item.

Program revenues include (1) fees and charges paid by students and other recipients of goods or services offered by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues. The *fund financial statements* provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds under the heading "Other Governmental Funds."

The District reports the following major governmental funds:

- The *General Fund* is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.
- The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
- The *Capital Fund* is used to account for all resources for the acquisition or construction of capital facilities by the District.

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting and financial statement presentation

The *government-wide financial statements* are reported using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and post employment health care benefits, arbitrage rebates, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Budgetary Data

Budgets are presented on the modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. Budgets are adopted on a basis consistent with generally accepted accounting principles. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- During May of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.
- Copies of the proposed budget are made available for public inspection and review by the patrons of the District.
- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22, at which the budget is legally adopted by resolution of the board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Once adopted, the budget can be amended by subsequent Board action. The Board, upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Certain interim adjustments in estimated revenue and expenditures during the year ended June 30, 2017, have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

Cash and Investments

The cash balance of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The District's investments are reported at fair value in accordance with GASB Statement No. 72 Fair Value Management and Application. The Utah Public Treasurers' Investment Fund operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund.

The District considers cash and cash equivalents in the funds to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "due to/from other funds" (i.e., current portion of inter-fund loans) or "advances from/to other funds" (i.e., the non-current portion of inter-fund loans). The government records all property taxes and other revenues collected within sixty days of year-end as revenue in the fund financial statements. All property taxes and other revenues earned within the fiscal year, but not received after the 60-day period, are accrued in the government-wide statements.

Inventories

Inventories held by the Food Service Fund are stated at cost. Federal commodity inventory is valued at fair market value as determined by the United States Department of Agriculture price lists. Commodities used during the year are reported as revenues and expenditures in the fund financial statements. When both commodities and food purchases are available, commodities are used first. The consumption method of accounting is applied to all inventories.

Capital Assets

Capital assets, which include land, water stock, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for land, water stock, and furniture and equipment and \$100,000 for buildings and improvements with an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets lives are not capitalized.

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is capitalized. Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Buses	10
Musical instruments	10
Furniture	10
Office equipment	10
Vehicles	10
Computer equipment	5

Compensated Absences

Under terms of association agreements, all regular full and half time employees earn sick leave, and 12 month employees accrue vacation days in amounts varying with tenure classification. Sick leave is accumulated with no maximums. Upon retirement or disability, 25% of a maximum of 180 accumulated sick days will be paid at a percentage of employees' daily rate.

All vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured (for example, as a result of employee resignations and retirements).

Post-Employment Benefits

The District's employees who meet certain requirements can retire under an early retirement program. This program provides for stipends and health insurance coverage for the retiree. Health insurance coverage for the retiree is typically for a maximum of four years or until the retiree becomes eligible to receive full social security benefits. Stipends are available for retirees through age 62 and are based upon the difference in the contract to replace the retiree and the retiree's contract. Expenditures are recorded in the General fund when paid. The amount estimated by management of the future benefit obligations of the District is recorded as a liability in the government-wide financial statements in the statement of net position.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah State Retirement Systems (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension plan investments are at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following sources that qualify for reporting in this category; these items are reported in the statement of net position.

- Deferred charge on refunding – results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources related to pensions – includes (a) net difference between projected and actual earnings on pension plan investments, and (b) changes in proportion and differences between contributions and proportionate share of contributions, and (c) District contributions subsequent to the measurement date of December 31, 2016.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The following items arise only under a modified accrual basis of accounting and are reported in the governmental funds balance sheet; these items are deferred and recognized as an inflow of resources in the period that the amounts becomes available.

- Unavailable property tax revenue – consists of uncollected, delinquent property taxes.
- Deferred inflow of resources related to pensions – includes (a) differences between expected and actual experience (b) changes of assumptions in the measurement of the net pension liability/asset, and, (c) changes in proportion and differences between contributions and proportionate share of contributions.

The following sources are reported in both the statement of net position and the governmental funds balance sheet.

- Property taxes levied for future year – property taxes levied on January 1, 2017, for the following school year.

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balances

The residual of all other elements presented in a statement of net position is *net position* on the government-wide and proprietary fund financial statements, and the residual of all other elements presented in a balance sheet on the governmental fund financial statements is *fund balance*.

Net position is divided into three components: net investment in capital assets (capital assets net of related debt less unspent bond proceeds), restricted, and unrestricted. Net position is reported as restricted when constraints are placed upon it by external parties or are imposed by constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report fund balances divided into five categories as follows:

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

Restricted fund balance classifications are restricted by external creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed fund balance classification includes those funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board and remain binding unless removed in the same manner.

Assigned fund balance classification includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed, as established by the Board.

Unassigned fund balance classification is the residual classification for the General Fund. When faced with a choice, the District elects to use restricted, committed, and assigned amounts before spending unassigned amounts.

Property Taxes

Real property taxes are collected by the County Treasurer and remitted to the District after collection. Taxes are due and payable on November 30th of each year. The tax levy is established by June 15th with a lien date of January 1st.

The certified tax rates and property tax allocation for property taxes collected during the year ended June 30, 2017, are as follows:

Basic school levy	0.001675
Board approved leeway	0.002220
General obligation bond	0.002070
Capital outlay	<u>0.001631</u>
Total	0.007596

Date of Management's Review

Management has evaluated subsequent events through November 17, 2017, the date which the financial statements were available to be issued.

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool that is available for use by all funds. Interest is allocated on the basis of the amount contributed to the cash pool by each fund for specific time periods. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost of amortized cost, which approximates fair value. Each portion of this pool is displayed as "Cash and Investments" which also includes cash accounts that are separately held by some of the District's funds. Deposits are not collateralized nor are they required to be by State statute.

The District follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. This Act requires the depositing of District funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management council.

Deposits

Custodial credit risk - custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2017, the carrying amount of the District's deposits was \$1,019,360 and the bank balance was \$1,445,901 for the primary government; and 406,081 carrying amount and \$412,356 for the component unit. Of the amount on deposit at year end \$250,000 is covered by federal deposit insurance, the remainder is uninsured and uncollateralized.

Investments

The State of Utah Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances' obligations of the United States Treasury including bills, notes, and bonds; bonds, notes and other evidence of indebtedness of political subdivision of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "a" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurers' Investment Fund (PTIF).

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses -net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The degree of risk of the PTIF depends upon the underlying portfolio, which primarily consists of money market securities including certificates of deposits and top-rated domestic commercial paper held by the Utah State Treasurer. The portfolio has a weighted average life of 90 days or less and is not rated. The fair value of the PTIF Investment pool is approximately equal to the value of the pool shares.

Components of cash and investments (including interest earning deposits) at June 30, 2017, are as follows:

	Bank/Fair Value		Total
	Primary Government	Component Unit Foundation	
Cash and investments:			
Cash on deposit	\$ 1,445,901	\$ 412,356	\$ 1,858,257
PTIF Investment	11,053,972	266,645	11,320,617
Total cash and investments	\$ 12,499,873	\$ 679,001	\$ 13,178,874

Fair Value of Investments

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

Interest rate risk- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the Utah Public Treasurers' Investment Fund and by adhering to the Money Management Act which can be accessed at the District's discretion.

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2017, The District had the following recurring fair value measurements:

Investments by fair value level	6/30/2017	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt Securities				
Utah Public Treasurers'				
Investment Fund	\$ 11,320,617		\$ 11,320,617	

Credit risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar held in the portfolio. The District's investment in the Utah Public Treasurers' Investment Fund has no concentration of credit risk.

Custodial credit risk (investments) - For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. The District's investment in the Utah Public Treasurers' Investment Fund has no custodial credit risk.

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds: quoted prices for similar securities in active markets;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund;
- Utah Public Treasurers' Investment Fund: application of the June 30, 2017 fair value factor, as calculated by the Utah State Treasurer, to the District's average daily balance in the Fund.

As of June 30, 2017 the District's investments had the following maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Utah Public Treasurers'					
Investment Fund	\$ 11,320,617	11,320,617			

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 ACCOUNTS RECEIVABLE

The property tax revenue of the District is collected and distributed by the Morgan County Treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer.

Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the deferral discount rate plus 6%; the interest period is from January 1 until date paid.

As of June 30, 2017, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2017 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion. All receivables are expected to be collected within one year.

The receivables as of June 30, 2017, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	General	Debt Service	Capital Projects	Food Service	Tax Increment Fund	Non K-12 Program	Total
Local Sources							
Property taxes	\$ 3,496,624	\$ 1,996,450	\$ 2,145,594	\$ -	\$ 76,149	\$ 225,000	\$ 7,939,817
Other	12,031	-	-	816	-	-	12,847
State	68,064	-	-	82,956	-	-	151,020
Federal	211,431	-	-	-	-	-	211,431
Gross receivables	3,788,150	1,996,450	2,145,594	83,772	76,149	225,000	8,315,115
Less: Allowance for uncollectable	-	-	-	-	-	-	-
Net total receivables	<u>\$ 3,788,150</u>	<u>\$ 1,996,450</u>	<u>\$ 2,145,594</u>	<u>\$ 83,772</u>	<u>\$ 76,149</u>	<u>\$ 225,000</u>	<u>\$ 8,315,115</u>

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 1,162,183	\$ -	\$ -	\$ 1,162,183
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>1,162,183</u>	<u>-</u>	<u>-</u>	<u>1,162,183</u>
Capital assets, being depreciated:				
Buildings and improvements	46,848,962	35,915	-	46,884,877
Furniture and equipment	<u>4,367,647</u>	<u>187,729</u>	<u>(119,880)</u>	<u>4,435,496</u>
Total capital assets, being depreciated	<u>51,216,609</u>	<u>223,644</u>	<u>(119,880)</u>	<u>51,320,373</u>
Accumulated depreciation for:				
Buildings and improvements	(12,241,530)	(886,383)	-	(13,127,913)
Furniture and equipment	<u>(3,033,440)</u>	<u>(255,432)</u>	<u>-</u>	<u>(3,288,872)</u>
Total accumulated depreciation	<u>(15,274,970)</u>	<u>(1,141,815)</u>	<u>-</u>	<u>(16,416,785)</u>
Total capital assets, being depreciated, net	<u>35,941,639</u>	<u>(918,171)</u>	<u>(119,880)</u>	<u>34,903,588</u>
Governmental activities capital assets, net	<u>\$ 37,103,822</u>	<u>\$ (918,171)</u>	<u>\$ (119,880)</u>	<u>\$ 36,065,771</u>

Depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instructional services	\$ 909,489
Supporting services:	
District administration	18,361
School administration	5,095
Operation and maintenance of facilities	30,732
Transportation	158,391
School food service	<u>19,747</u>
Total depreciation expense, governmental activities	<u>\$ 1,141,815</u>

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 DEFERRED INFLOWS OF RESOURCES/UNEARNED REVENUES

In conjunction with GASB pronouncement 33 "Accounting and Financial Reporting for Nonexchange Transactions" the District has accrued a property tax receivable and deferred inflow of resources in the following funds as of June 30, 2017:

Type	Unavailable	Unearned
Property Tax Receivable - General Fund	\$ 3,456,759	\$ -
Property Tax Receivable - Capital Projects Fund	2,128,901	-
Property Tax Receivable - Debt Service Fund	1,975,264	-
Property Tax Receivable - Tax Increment Fund	76,149	-
Property Tax Receivable - Non K-12 Fund	225,000	-
Total deferred/unearned revenue for govtl funds	<u>\$ 7,862,073</u>	<u>\$ -</u>

Property taxes recorded in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 60 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on October 1st and then are due and payable on November 30th. Since the property tax levied on October 1st is not expected to be received within 60 days after year end, the District is required to record a receivable and deferred revenue of the estimated amount of the total property tax to be levied on October 1st.

NOTE 6 LONG-TERM LIABILITIES

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 17,190,000	\$ -	\$ (1,350,000)	\$ 15,840,000	\$ 1,400,000
Premium on bonds	2,685,312	-	(245,623)	2,439,689	245,623
QSCB bonds	2,570,000		(286,000)	2,284,000	286,000
Total bonds payable, net	22,445,312	-	(1,881,623)	20,563,689	1,931,623
Zions Bank lease	634,255	-	(153,800)	480,455	157,098
Net Pension obligation	7,437,011	1,941,628	(1,704,246)	7,674,393	
Compensated absences payable	1,219,328	4,198	-	1,223,526	28,500
Post employment obligation	388,348	31,068	(18,500)	400,916	18,500
Total governmental activity long-term liabilities	<u>\$ 32,124,254</u>	<u>\$ 1,976,894</u>	<u>\$ (3,758,169)</u>	<u>\$ 30,342,979</u>	<u>\$ 2,135,721</u>

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 LONG-TERM LIABILITIES (Continued)

Zions Bank Lease/Purchase Agreement

On March 8, 2000, the Board approved a \$3.5 million lease/purchase agreement with Zions Bank. These funds were used for various projects at the High School. The agreement calls for semi-annual payments at 1.85%. The final payment is due June 30, 2020. The Capital Projects fund has been used to pay the debt service on this lease agreement.

The debt maturities of the lease agreement are as follows:

<u>Year Ending June 30th</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 157,085	\$ 8,113	\$ 165,198
2019	159,989	5,209	165,198
2020	163,381	1,818	165,199
Total	<u>\$ 480,455</u>	<u>\$ 15,140</u>	<u>\$ 495,595</u>

Series 2007 General Obligation Bonds

On February 7, 2007 the District issued \$25,000,000 in general obligation bonds. The bonds will fully mature on August 1, 2026. The interest rate changes from one year to another with the highest rate not to exceed 5.50%, although those rates were fixed at the time of issuance. The average coupon of the bonds is 4.336%. Interest payments are to be made on August 1st and February 1st of each year, whole principal payments are due on August 1st of each year. The debt will be serviced through the debt service fund with the source of property taxes. This series was partially refunded during the year. Three payments remain from the original debt service requirements.

The annual debt service requirements to maturity are as follows:

<u>Year Ending June 30th</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,400,000	\$ 28,000	\$ 1,428,000
Total	<u>\$ 1,400,000</u>	<u>\$ 28,000</u>	<u>\$ 1,428,000</u>

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 LONG-TERM LIABILITIES (Continued)

Qualified School Construction Bonds Series 2011

On February 25, 2011 the District issued Qualified School Construction Bonds Series 2011 in the amount of \$4,000,000. The proceeds of these bonds are for a physical education facility and bus garage. The bond's interest rate is fixed at 5.51%. Principal and interest payment are due June 1st and interest only payments are due December 1st. The bonds will be financed through the proceeds of property taxes and will be paid off in fiscal year 2025. The capital projects fund will be used to pay the debt service costs of these bonds. These QCSB Bonds qualify for an interest subsidy from the Federal Government. During fiscal year 2012 the entire amount of interest was paid by the Federal Government. As a result of Federal sequestration during fiscal year 2017 the Federal Government reimbursed the District \$131,836 of the interest paid and the District was not reimbursed for \$20,918 of the interest paid.

The annual debt service requirements to maturity are as follows:

<u>Year Ending June 30th</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 286,000	\$ 125,848	\$ 411,848
2019	285,000	110,090	395,090
2020	285,000	94,386	379,386
2021	285,000	78,682	363,682
2022-2025	<u>1,143,000</u>	<u>157,232</u>	<u>1,300,232</u>
Total	<u>\$ 2,284,000</u>	<u>\$ 566,238</u>	<u>\$ 2,850,238</u>

General Obligation Refunding Bonds Series 2015

During the fiscal year 2015 the District issued general obligation refunding bonds to partially refund the General Obligation Bonds Series 2007. These refunding bonds carry an interest rate of 5.50%. The bonds are serviced through the debt service fund which is funded by property tax collections. Interest payments are due in February of each year with principal and interest due in August of each year.

The annual debt service requirements to maturity are as follows:

<u>Year Ending June 30th</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 722,000	\$ 722,000
2019	1,320,000	689,000	2,009,000
2020	1,365,000	621,875	1,986,875
2021	1,460,000	551,250	2,011,250
2022-2026	8,375,000	1,567,625	9,942,625
2027	<u>1,920,000</u>	<u>48,000</u>	<u>1,968,000</u>
Total	<u>\$ 14,440,000</u>	<u>\$ 4,199,750</u>	<u>\$ 18,639,750</u>

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 LONG-TERM LIABILITIES (Continued)

Post Employment Benefits other than Pensions and Deferred Compensation Plans. The District provides post employment benefits other than pensions and deferred compensation plans in the form of early retirement. Early retirement may be applied for and is available to employees who obtain administrative approval and qualify based on the eligibility requirements. As a result, the costs associated with early retirement are accounted for as termination benefits. The early retirement obligation is not covered as part of the District's pension plans.

Management has projected future cost of early retirement benefits based on the amount payable in the next fiscal year plus projected increases of 5% for medical premiums and anticipated costs related to employees that are eligible for early retirement benefits. The net present value of the total projected costs is calculated using a 4% discount factor and is the amount recognized on the financial statements as the liability for other post-employment benefits.

NOTE 7 STATE RETIREMENT PLANS

Description of plans – Eligible employees of the District are provided with the following plans through the Utah Retirement Systems (the URS) administered by the URS:

Defined Benefit Pension Plans (cost-sharing, multiple-employer plans):

- Public Employees Noncontributory Retirement System (Tier 1 Noncontributory System) is a multiple employer, cost sharing, public employee retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer cost sharing public employee retirement system.

Defined Contribution Plans (individual account plans):

- 401(k) Plan (includes the Tier 2 Defined Benefit Plan)
- 457 Plan and other individual plans

District employees qualify for membership in the retirement systems if a) employment, contemplated to continue during a fiscal or calendar year, normally requires an average of 20 or more hours per week and the employee receives benefits normally provided by the District as approved by the Utah State Retirement Board, b) the employee is a classified school employee whose employment normally requires an average of 20 hours or more per week regardless of benefits, c) the employee is a teacher who teaches half-time or more and receives benefits normally provided by the District as approved by the Utah State Retirement Board, or d) the employee is an appointed officer.

Title 49 of the *Utah Code* grants the authority to establish and amend the benefit terms to the Utah State Retirement Board, whose members are appointed by the Governor. The URS (a component unit of the State of Utah) issues a publicly available financial report that can be obtained at www.urs.org.

The Tier 2 systems became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credits with any of the systems, are members of the Tier 2 systems

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 STATE RETIREMENT PLANS (Continued)

Benefits provided – The URS provides retirement, disability, and death benefits to participants in the plans.

Retirement benefits in the defined benefit pension plans are determined from 1.5% to 2.0% of the employee's highest 3 or 5 years of compensation times the employee's years of service depending on the pension plan; benefits are subject to cost-of-living adjustments up to 2.5% or \$% limited to actual Consumer Price Index increase for the year. Employees are eligible to retire based on years of service and age.

Defined contribution plans are available as supplemental plans to the basic retirement benefits of the defined benefit pension plans and as a primary retirement plan for some Tier 2 participants. Participants in the defined contribution plans are fully vested in employer and employee contributions at the time the contributions are made, except Tier 2 required contributions and associated earnings are vested during the first four years of employment. Benefits depend on amounts contributed to the plans plus investment earnings. Individual accounts are provided for each employee and are available at termination, retirement, death, or unforeseeable emergency.

Contributions – As a condition of participation in the plans, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

	Defined Benefit Plans Rates			District Rates for 401(k) Plan	Totals
	District Contribution	Amortization of UAAL *	Paid by District for Employee		
Tier 1 Noncontributory System	12.25%	9.94%	-	1.50%	23.69%
Tier 2 Contributory System **	8.30%	9.94%	-	1.78%	20.02%
Tier 2 Defined Contribution Plan **	0.08%	9.94%	-	10.00%	20.02%

* The District is required to contribute additional amounts based on covered-employee payroll to finance the unfunded actuarial accrued liability (UAAL) of the Tier 1 plans.

** District contribution includes 0.08% of covered-employee payroll of the Tier 2 plans for death benefits.

Employees can make additional contributions to defined contribution plans subject to limitations.

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 STATE RETIREMENT PLANS (Continued)

For the year ended June 30, 2017, District and employee contributions to the plans were as follows:

	<u>District Contributions *</u>	<u>Employee Contributions</u>
Tier 1 Noncontributory System	\$ 1,341,638	\$ -
Tier 2 Contributory System	332,279	-
401(k) Plan	30,858	-

* Required contributions from Tier 2 plans to finance the unfunded actuarial accrued liability of the Tier 1 plans are reported as contributions to the Tier 2 plans.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At June 30, 2017, the District reported a net pension asset of \$0 and a net pension liability of \$7,674,393.

	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Tier 1 Noncontributory System	\$ -	\$ 7,654,595
Tier 2 Contributory System	-	19,798
Total	<u>\$ -</u>	<u>\$ 7,674,393</u>

The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability was determined by an actuarial valuation as of January 1, 2016, rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability (asset) is equal to the ratio of the District's actual contributions compared to the total of all employer contributions during the plan year. The following presents the District's proportion (percentage) of the collective net pension liability (asset) at December 31, 2016 and the change in its proportion since the prior measurement date for each plan:

	<u>Proportionate Share 2016</u>	<u>Change</u>
Tier 1 Noncontributory System	0.2361861%	-0.0005644%
Tier 2 Contributory System	0.1774810%	0.0277576%

For the year ended December 31, 2016, the District recognized pension expense of \$1,746,585.

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 STATE RETIREMENT PLANS (Continued)

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows and outflows of resources related to defined benefit pension plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 429,364
Changes of assumptions	824,399	96,744
Net difference between projected and actual earnings on pension plan investments	1,441,370	413,787
Changes in proportion and differences between District contributions and proportionate share of contributions	14,640	129,290
District contributions subsequent to the measurement date	864,538	-
Total	<u>\$ 3,144,947</u>	<u>\$ 1,069,185</u>

The \$864,538 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of December 31, 2016 will be recognized as a reduction of the net pension liability (asset) in the year ending June 30, 2018. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

Year Ending June 30,	Deferred Outflows (Inflows) of Resources
2018	\$ 352,092
2019	372,078
2020	535,033
2021	(54,862)
2022	585
Thereafter	(6,298)

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 STATE RETIREMENT PLANS (Continued)

Actuarial assumptions – The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.35% to 10.35%, average, including inflation
Investment rate of return	7.20%, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2013. Changes of assumptions that affected measurement of the total pension liability since the prior measurement date include adjustments for inflation, salary increases, payroll growth, post retirement mortality, preretirement mortality, and certain demographics to more closely reflect actual experience.

The long-term expected rate of return on defined benefit 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 and is applied consistently to each defined benefit pension plan. These ranges are 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 by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Expected Return Arithmetic Basis			
Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Total	100%		5.23%
Inflation			2.60%
Expected arithmetic nominal return			7.83%

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 STATE RETIREMENT PLANS (Continued)

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60% and a real return of 4.60% that is net of investment expense.

Discount rate – The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions all participating employers will be made at contractually required rates, actuarially determined and certified by the Utah State Retirement Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate was not changed from the prior measurement date.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.20%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability (asset):			
Tier 1 Noncontributory System	\$ 14,034,839	\$ 7,654,595	\$ 2,307,328
Tier 2 Contributory System	134,757	19,798	(67,658)
Total	<u>\$ 14,169,596</u>	<u>\$ 7,674,393</u>	<u>\$ 2,239,670</u>

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 STATE RETIREMENT PLANS (Continued)

Defined Contribution Savings Plans

The Defined Contribution Savings Plans are determined by the Utah State Retirement Systems Board and are generally supplemental plans to the retirement benefits plans of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b), and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

Morgan School District participates in the following Defined Contributions Savings Plans with Utah State Retirement Systems:

- *401(k) Plan
- *457(b) Plan
- *Roth IRA Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30 were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
401(k) Plan			
Employer Contributions	\$ 190,523	\$ 186,741	\$ 155,835
Employee Contributions	\$ 155,213	\$ 143,701	\$ 143,335
457 Plan			
Employer Contributions	\$ -	\$ -	\$ -
Employee Contributions	\$ 1,538	\$ 2,034	\$ 1,732
Roth IRA Plan			
Employer Contributions	n/a	n/a	n/a
Employee Contributions	\$ 14,678	\$ 15,535	\$ 12,660

MORGAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 RISK MANAGEMENT

The District is exposed to various risks of loss related torts; theft of; damage to, or destruction of assets; errors and omissions; natural disasters; employee health claims and worker's compensation. The District purchases general and automobile liability insurance. There have been no significant reductions in insurance coverage for any risk of loss in the past year and settled claims have not exceeded the coverage in any of the past three fiscal years.

NOTE 9 GRANTS

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable fund. Based on prior experience, District administration believes such disallowance, if any, would be immaterial.

NOTE 10 LEGAL COMPLIANCE

All fund balances were positive at June 30, 2017. Total expenditures did not exceed budgeted amounts in any of the funds. In all funds, revenues were available for coverage of the expenditures.

REQUIRED SUPPLEMENTARY INFORMATION

MORGAN COUNTY SCHOOL DISTRICT
Schedules of the District's Proportionate Share of the Net Pension Liability (Asset)
Utah Retirement Systems
Last Three Plan (Calendar) Years *

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tier 1 Noncontributory System:			
District's proportion of the net pension liability (asset)	0.2361861%	0.2367505%	0.2435633%
District's proportionate share of the net pension liability (asset)	\$ 7,654,595	\$ 7,437,011	\$ 6,119,598
District's covered-employee payroll	\$ 6,208,459	\$ 6,333,443	\$ 6,811,108
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	123.3%	117.4%	89.8%
Plan fiduciary net position as a percentage of the total pension liability	84.9%	84.5%	87.2%
Tier 2 Contributory System:			
District's proportion of the net pension liability (asset)	0.1774810%	0.1497234%	0.1562460%
District's proportionate share of the net pension liability (asset)	\$ 19,798	\$ (327)	\$ (3,504)
District's covered-employee payroll	\$ 1,455,489	\$ 966,926	\$ 566,887
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1.4%	0.0%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	95.1%	100.2%	103.5%

* These schedules only present information for the 2014 and subsequent measurement periods of the plans; prior-year information is not available.

MORGAN COUNTY SCHOOL DISTRICT
Schedules of District Contributions
Utah Retirement Systems
Last Three Reporting Years *

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tier 1 Noncontributory System:			
Contractually required contribution	\$ 1,341,638	\$ 1,382,291	\$ 1,412,544
Contributions in relation to the contractually required contribution	<u>(1,341,638)</u>	<u>(1,382,291)</u>	<u>(1,412,544)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,082,480	\$ 6,281,443	\$ 6,552,686
Contributions as a percentage of covered-employee payroll	22.1%	22.0%	21.6%
Tier 1 Contributory System:			
Contractually required contribution	\$ -	\$ 508	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>(508)</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,167	\$ 2,357	\$ 66,261
Contributions as a percentage of covered-employee payroll	0.0%	21.6%	0.0%
Tier 2 Contributory System:			
Contractually required contribution	\$ 363,137	\$ 245,824	\$ 165,241
Contributions in relation to the contractually required contribution	<u>(363,137)</u>	<u>(245,824)</u>	<u>(165,241)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,128,647	\$ 1,509,935	\$ 1,022,303
Contributions as a percentage of covered-employee payroll	17.1%	16.3%	16.2%

* These schedules only present information for the District's 2015 and subsequent reporting periods; prior-year information is not available.

MORGAN COUNTY SCHOOL DISTRICT
Notes to Required Supplementary Information
JUNE 30, 2017

Note A. Changes in Assumptions-Utah Retirement Systems

Amounts reported in plan year 2016 reflect the following assumption changes adopted from the January 1, 2016 valuation:

- The investment return assumption was decreased from 7.50% to 7.20%.
- The inflation assumption decreased from 2.75% to 2.60%.
- With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.

Amounts reported in plan year 2015 reflect the following assumption changes adopted from the January 1, 2015 valuation:

- The wage inflation assumption for all employee groups was decreased from 3.75% to 3.50%.
- The rate of salary increases assumption for most groups was modified.
- The payroll growth assumption was decreased from 3.50% to 3.25%.
- The post retirement mortality assumption for female educators showed an improvement.
- Minor adjustments to the preretirement mortality assumption were made.
- Certain demographic assumptions were changed that generally resulted in a) an increase in members anticipated to terminate employment prior to retirement, b) a slight decrease in members expected to become disabled, and c) a slight increase in the expected age of retirement.

Note B. Schedules of District Contributions-Utah Retirement Systems

Contributions as a percentage of covered-employee payroll may be different than the Utah State Retirement Board certified rate due to rounding or other administrative issues. Required contributions from Tier 2 plans to finance the unfunded actuarial accrued liability of the Tier 1 plans are reported as contributions to the Tier 2 plans.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

School Lunch Fund – This fund is used to account for the food service activities of the District as required by state and federal law. Financing is provided by local sales along with substantial subsidies from the State of Utah and the U.S. Government to help ensure that students receive low-cost, nutritionally balanced meals.

Non K-12 Programs Fund – This fund is used to account for programs that are not part of the basic educational program of kindergarten, elementary and secondary students. These areas include adult education and preschool for disabled students. This fund is also used to account for costs to provide community educational and recreational activities. Financing is provided primarily through grants, student fees, membership fees, and use fees.

Student Activity Fund – This fund is used to account for fees, revenues, and expenditures related to student activity funds at the school level.

Recreation Fund – This fund is used to account for the Morgan County recreational programs that the District serves as a fiscal agent.

Tax Increment Financing Fund – This fund is used to account for taxes assessed by the District but have been assigned to certain RDA's and CDA's.

MORGAN COUNTY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue					Total Nonmajor Governmental Funds
	Food Services	Student Activity Fund	Recreation Fund	Tax Increment Financing	Non K-12 Programs	
Assets:						
Cash and investments	\$ 222,315	\$ 665,600	\$ 106,968	\$ -	\$ 100,745	\$ 1,095,628
Receivables:						
Property taxes	-	-	-	76,149	225,000	301,149
Other governments	83,772	-	1,500	-	-	85,272
Inventory	61,769	-	-	-	-	61,769
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 367,856</u>	<u>\$ 665,600</u>	<u>\$ 108,468</u>	<u>\$ 76,149</u>	<u>\$ 325,745</u>	<u>\$ 1,543,818</u>
Liabilities:						
Accounts payable	\$ 1,149	\$ -	\$ 1,098	\$ -	\$ 245	\$ 2,492
Deferred revenue:						
Other governments	-	-	-	-	-	-
Local sources	-	-	-	-	-	-
Total liabilities	<u>1,149</u>	<u>-</u>	<u>1,098</u>	<u>-</u>	<u>245</u>	<u>2,492</u>
Deferred Inflows of Resources:						
Property taxes levied for future year				76,149	225,000	301,149
Fund balances:						
Nonspendable						
Inventories	61,769	-	-	-	-	61,769
Restricted for:						
Food service	304,938	-	-	-	-	304,938
Committed for:						
Non K-12 programs	-	-	-	-	100,500	100,500
Recreation	-	-	107,370	-	-	107,370
Student activities	-	665,600	-	-	-	665,600
Total fund balances	<u>366,707</u>	<u>665,600</u>	<u>107,370</u>	<u>-</u>	<u>100,500</u>	<u>1,240,177</u>
Total liabilities and fund balances	<u>\$ 367,856</u>	<u>\$ 665,600</u>	<u>\$ 108,468</u>	<u>\$ 76,149</u>	<u>\$ 325,745</u>	<u>\$ 1,543,818</u>

MORGAN COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue					Total Nonmajor Governmental Funds
	School Lunch	Student Activity Fund	Recreation Fund	Tax Increment Financing	Non K-12 Programs	
Revenues:						
Property tax	\$ -	\$ -	\$ -	\$ 60,920	\$ 225,000	\$ 285,920
Fees	-	1,391,097	57,454	-	21,896	1,470,447
Lunch sales	488,870	-	-	-	-	488,870
Other local revenues	-	-	2,252	-	525	2,777
State aid	202,454	-	-	-	-	202,454
Federal aid	342,541	-	-	-	-	342,541
Total revenues	1,033,865	1,391,097	59,706	60,920	247,421	2,793,009
Expenditures:						
Current:						
Instructional services	-	1,320,743	-	-	-	1,320,743
Supporting services:						
Operation and maintenance of facilities	-	-	-	-	-	-
Community services	-	-	58,771	60,920	221,902	341,593
School lunch services	930,389	-	-	-	-	930,389
Total expenditures	930,389	1,320,743	58,771	60,920	221,902	2,592,725
Excess of revenues over expenditures	103,476	70,354	935	-	25,519	200,284
Other financing sources:						
Transfer in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Net change in fund balances	103,476	70,354	935	-	25,519	200,284
Fund balances - beginning	263,231	595,246	106,435	-	74,981	1,039,893
Fund balances - ending	\$ 366,707	\$ 665,600	\$ 107,370	\$ -	\$ 100,500	\$ 1,240,177

MORGAN COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Food Services
Nonmajor Special Revenue Fund
Year Ended June 30, 2017
With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local sources:				
Lunch sales - children	\$ 441,700	\$ 463,765	\$ 22,065	\$ 442,580
Lunch sales - adult	17,164	22,696	5,532	24,693
Other local sales	2,500	2,409	(91)	2,940
Total local sources	461,364	488,870	27,506	470,213
State sources:				
State lunch program	202,454	202,454	-	193,642
Total state sources	202,454	202,454	-	193,642
Federal sources:				
Federal lunch program	90,000	95,598	5,598	92,764
Free and reduced assistance	246,000	233,811	(12,189)	138,646
Other	15,000	13,132	(1,868)	104,867
Total federal sources	351,000	342,541	(8,459)	336,277
Total revenues	1,014,818	1,033,865	19,047	1,000,132
Expenditures:				
Current:				
Salaries	330,793	322,589	8,204	317,306
Employee benefits	171,271	134,035	37,236	136,415
Purchased services	42,150	30,395	11,755	22,709
Supplies	73,000	40,679	32,321	39,754
Food	393,400	357,808	35,592	373,750
Other	56,246	44,883	11,363	39,167
Total expenditures	1,066,860	930,389	136,471	929,101
Excess (deficiency) of revenues over expenditures	(52,042)	103,476	155,518	71,031
Other financing sources and (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net change in fund balances	(52,042)	103,476		71,031
Fund balances - beginning	263,231	263,231	-	192,200
Fund balances - ending	<u>\$ 211,189</u>	<u>\$ 366,707</u>	<u>\$ 155,518</u>	<u>\$ 263,231</u>

MORGAN COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Non K-12 Programs
Nonmajor Special Revenue Fund
Year Ended June 30, 2017
With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ 175,000	\$ 225,000	\$ 50,000	\$ 225,000
Community school fees	39,300	21,896	(17,404)	27,848
Miscellaneous revenues	300	525	225	76
Total local sources	214,600	247,421	32,821	252,924
Total revenues	214,600	247,421	32,821	252,924
Expenditures:				
Community services				
Salaries	103,100	96,242	6,858	100,439
Employee benefits	23,390	23,513	(123)	24,602
Purchased services	74,873	72,047	2,826	72,516
Supplies	20,500	15,367	5,133	15,767
Property	17,983	-	17,983	1,999
Other	14,754	14,733	21	17,065
Total instructional	254,600	221,902	32,698	232,388
Total expenditures	254,600	221,902	32,698	232,388
Excess (deficiency) of revenues over (under) expenditures	(40,000)	25,519	65,519	20,536
Fund balances - beginning	74,981	74,981	-	54,445
Fund balances - ending	<u>\$ 34,981</u>	<u>\$ 100,500</u>	<u>\$ 65,519</u>	<u>\$ 74,981</u>

MORGAN COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Recreation Fund
Nonmajor Special Revenue Fund
Year Ended June 30, 2017
With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local sources:				
Fees	\$ 47,454	\$ 57,454	\$ 10,000	\$ 57,454
Other local revenues	350	2,252	1,902	3,100
Total local sources	47,804	59,706	11,902	60,554
Total revenues	47,804	59,706	11,902	60,554
Expenditures:				
Current:				
Salaries	3,600	3,600	-	7,200
Employee benefits	275	108	167	540
Purchased services	39,252	42,671	(3,419)	31,708
Supplies and services	11,275	12,392	(1,117)	5,490
Other	30,200	-	30,200	2,588
Total expenditures	84,602	58,771	25,831	47,526
Excess (deficiency) of revenues over (under) expenditures	(36,798)	935	37,733	13,028
Other financing sources:				
Transfer in	-	-	-	-
Net change in fund balances	(36,798)	935	37,733	13,028
Fund balances - beginning	106,435	106,435	-	93,407
Fund balances - ending	<u>\$ 69,637</u>	<u>\$ 107,370</u>	<u>\$ 37,733</u>	<u>\$ 106,435</u>

MORGAN COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Student Activity Fund
Nonmajor Special Revenue Fund
Year Ended June 30, 2017
With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local sources:				
Student fees	\$ 1,028,500	\$ 1,391,097	\$ 362,597	\$ 1,202,193
Other local revenues	-	-	-	-
Total local sources	1,028,500	1,391,097	362,597	1,202,193
Total revenues	1,028,500	1,391,097	362,597	1,202,193
Expenditures:				
Current:				
Supplies and services	1,362,500	1,320,743	41,757	1,124,617
Total expenditures	1,362,500	1,320,743	41,757	1,124,617
Excess (deficiency) of revenues over (under) expenditures	(334,000)	70,354	404,354	77,576
Other financing sources:				
Transfer in	-	-	-	-
Net change in fund balances	(334,000)	70,354	404,354	77,576
Fund balances - beginning	595,246	595,246	-	517,670
Fund balances - ending	\$ 261,246	\$ 665,600	\$ 404,354	\$ 595,246

MORGAN COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Tax Increment Financing Fund
Nonmajor Special Revenue Fund
Year Ended June 30, 2017
With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local sources:				
Property Taxes	\$ 75,500	\$ 60,920	\$ (14,580)	\$ -
Other local revenues	-	-	-	-
Total local sources	75,500	60,920	(14,580)	-
Total revenues	75,500	60,920	(14,580)	-
Expenditures:				
Current:				
Community services	75,500	60,920	14,580	
Other	-	-	-	-
Total expenditures	75,500	60,920	14,580	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Other financing sources:				
Transfer in	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

MAJOR GOVERNMENTAL FUNDS

General Fund – This fund services primary on-going operation of the District. It is used to account for activity and financial resources that are not required to be accounted for in other funds.

Debt Service Fund - The Debt Service Fund is used to account for the receipt of property taxes levied for retirement of general obligation debt. The expenditures are for principal retirement and for payment of interest and fees.

Capital Projects Fund - The Capital Projects Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. Financing is provided by an annual property tax levy. Also, state funds can be obtained by qualifying under guidelines established for districts determined to be in critical need for construction building aid.

MORGAN COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Debt Service Fund
Year Ended June 30, 2017
With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Property tax	\$ 2,190,500	\$ 2,252,363	\$ 61,863	\$ 2,217,151
Earnings on investments	16,000	24,027	8,027	14,651
Total revenues	2,206,500	2,276,390	69,890	2,231,802
Expenditures:				
Debt service:				
Bond principal	1,433,000	1,350,000	83,000	1,275,000
Bond interest and fees	804,772	804,772	-	752,188
Paying agent fees and other costs	7,500	6,949	551	7,671
Total expenditures	2,245,272	2,161,721	83,551	2,034,859
Excess (deficiency) of revenues over (under) expenditures	(38,772)	114,669	153,441	196,943
Other financing sources (uses):				
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(38,772)	114,669	153,441	196,943
Fund balance - beginning	1,291,552	1,291,552	-	1,094,609
Fund balance - ending	<u>\$ 1,252,780</u>	<u>\$ 1,406,221</u>	<u>\$ 153,441</u>	<u>\$ 1,291,552</u>

MORGAN COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Capital Projects Fund
Year Ended June 30, 2017
With Comparative Totals for 2016

	2017			2016
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ 1,718,604	\$ 1,774,617	\$ 56,013	\$ 1,497,604
Earnings on investments	25,000	32,459	7,459	17,743
Federal interest subsidy	-	131,836	131,836	146,905
Other local revenues	111,767	151,747	39,980	204,587
Total local sources	1,855,371	2,090,659	235,288	1,866,839
Total revenues	1,855,371	2,090,659	235,288	1,866,839
Expenditures:				
Operation and maintenance of facilities:				
Salaries and Benefits	-	-	-	118
Supplies and services	8,130	22,348	(14,218)	38,330
Total instructional services	8,130	22,348	(14,218)	38,448
Capital outlay and debt service:				
Land and improvements	55,631	75,281	(19,650)	123,583
Building improvements	1,447,260	1,122,103	325,157	561,850
Equipment	200,341	217,069	(16,728)	207,782
Principal retirement	440,234	439,800	434	435,853
Interest	69,235	152,754	(83,519)	186,388
Other instructional equipment	71,285	56,642	14,643	114,151
Buses	139,000	138,702	298	238,146
Other	-	-	-	-
Total capital outlay and debt service	2,422,986	2,202,351	220,635	1,867,753
Total expenditures	2,431,116	2,224,699	206,417	1,906,201
Excess (deficiency) of revenues over (under) expenditures	(575,745)	(134,040)	441,705	(39,362)
Other Financing Sources (Uses):				
Transfers	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(575,745)	(134,040)	441,705	(39,362)
Fund balance - beginning	2,120,340	2,120,340	-	2,159,702
Fund balance - ending	\$ 1,544,595	\$ 1,986,300	\$ 441,705	\$ 2,120,340

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APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF FARNSWORTH JOHNSON PLLC]

[TO BE DATED CLOSING DATE]

Re: \$49,000,000
Board of Education of
Morgan County School District, Utah
General Obligation School Building Bonds
(Utah School Bond Guaranty Program),
Series 2018

We have acted as bond counsel to the Board of Education of Morgan County School District, Utah (the “*Issuer*”) in connection with the issuance by the Issuer of its \$49,000,000 General Obligation School Building Bonds (Utah School Bond Guaranty Program), Series 2018 dated the date hereof (the “*Bonds*”). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds are valid and legally binding upon the Issuer and all taxable property in Morgan County School District, Utah, is subject to the levy of taxes to pay the same without limitation as to rate or amount.

2. The guaranty of timely payment of the Bonds provided by the Utah School Bond Guaranty Act is a valid and binding obligation of the State of Utah.

3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended (the “*Code*”), that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

4. Interest on the Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act. No opinion is expressed with respect to any other taxes imposed by the State of Utah or any political subdivision thereof. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers; we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding the accuracy, adequacy, or completeness of the disclosure document, if any, relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

APPENDIX C

PROPOSED FORM OF

CONTINUING DISCLOSURE UNDERTAKING

FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER PARAGRAPH (B)(5) OF RULE 15C2-12

[TO BE DATED CLOSING DATE]

THIS CONTINUING DISCLOSURE UNDERTAKING (the “*Agreement*”) is executed and delivered by the Board of Education of Morgan County School District, Utah (the “*Issuer*”) in connection with the issuance of \$49,000,000 General Obligation School Building Bonds (Utah School Bond Guaranty Program), Series 2018 (the “*Bonds*”). The Bonds are being issued pursuant to a Resolution of the Issuer adopted on January 9, 2018 (collectively, the “*Resolution*”).

In consideration of the issuance of the Bonds by the Issuer and the purchase of such Bonds by the beneficial owners thereof, the Issuer covenants and agrees as follows:

Section 1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the Issuer as of the date set forth above, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The Issuer represents that it and the State (pursuant to the Utah School Bond Guaranty Act, Chapter 28, Title 53A, Utah Code Annotated, 1953, as amended) will be the only obligated persons with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds.

Section 2. DEFINITIONS. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

“*Annual Financial Information*” means the financial information and operating data described in *Exhibit I*.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited financial statements of the Issuer prepared pursuant to the standards and as described in *Exhibit I*.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means any agent designated as such in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation, and such agent’s successors and assigns.

“EMMA” means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“MSRB” means the Municipal Securities Rulemaking Board.

“Participating Underwriter” means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

“Reportable Event” means the occurrence of any of the Events with respect to the Bonds set forth in *Exhibit II*.

“Reportable Events Disclosure” means dissemination of a notice of a Reportable Event as set forth in Section 5.

“Rule” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“State” means the State of Utah.

“Undertaking” means the obligations of the Issuer pursuant to Sections 4 and 5.

Section 3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Bonds maturing in each of the following years are as follows:

AUGUST 1 OF THE YEAR	CUSIP NUMBER	AUGUST 1 OF THE YEAR	CUSIP NUMBER
2019	617307 DH3	2029	617307 DT7
2020	617307 DJ9	2030	617307 DU4
2021	617307 DK6	2031	617307 DV2
2022	617307 DL4	2032	617307 DW0
2023	617307 DM2	2033	617307 DX8
2024	617307 DN0	2034	617307 DY6
2025	617307 DP5	2035	617307 DZ3
2026	617307 DQ3	2036	617307 EA7
2027	617307 DR1	2037	617307 EB5
2028	617307 DS9	2038	617307 EC3

The Final Official Statement relating to the Bonds is dated February 15, 2018 (the “*Final Official Statement*”). The Issuer will include the CUSIP Number in all disclosure described in Sections 4 and 5 of this Agreement.

Section 4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 8 of this Agreement, the Issuer hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in *Exhibit I*) to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the

Commission at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Issuer will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

Section 5. REPORTABLE EVENTS DISCLOSURE. Subject to Section 8 of this Agreement, the Issuer hereby covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Indenture.

Section 6. CONSEQUENCES OF FAILURE OF THE ISSUER TO PROVIDE INFORMATION. The Issuer shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Issuer to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed a default under the Resolution, and the sole remedy under this Agreement in the event of any failure of the Issuer to comply with this Agreement shall be an action to compel performance.

Section 7. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the Issuer by resolution authorizing such amendment or waiver, may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including without limitation, pursuant to a “no-action” letter issued by the Commission, a change in law, or change in the identity, nature, or status of the Issuer, or type of business conducted; or

(ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into

account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the Issuer or any other obligated person (such as Bond Counsel).

In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Reportable Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the Issuer shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

Section 8. TERMINATION OF UNDERTAKING. The Undertaking of the Issuer shall be terminated hereunder if the Issuer shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Resolution. The Issuer shall give notice to EMMA in a timely manner if this Section is applicable.

Section 9. DISSEMINATION AGENT. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 10. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Agreement. If the Issuer chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Material Event. If the Issuer is changed, the Issuer shall disseminate such information to EMMA.

Section 11. BENEFICIARIES. This Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

Section 12. RECORDKEEPING. The Issuer shall maintain records of all Annual Financial Information Disclosure and Reportable Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

Section 13. ASSIGNMENT. The Issuer shall not transfer its obligations under the Resolution unless the transferee agrees to assume all obligations of the Issuer under this Agreement or to execute an Undertaking under the Rule.

Section 14. GOVERNING LAW. This Agreement shall be governed by the laws of the State.

(Signature page follows.)

DATED as of the day and year first above written.

BOARD OF EDUCATION OF MORGAN COUNTY SCHOOL
DISTRICT, UTAH

By _____
President

Address: 240 East Young Street
Morgan, Utah 84050

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“*Annual Financial Information*” means financial information and operating data of the type contained in the Official Statement under the following captions:

CAPTION

DEBT STRUCTURE OF MORGAN COUNTY SCHOOL DISTRICT, UTAH

- Outstanding General Obligation Bonded Indebtedness
- Municipal Building Authority of Morgan County School District, Utah
- Debt Service Schedule of Outstanding General Obligation Bonds by Fiscal Year
- Debt Service Schedule of Outstanding Lease Revenue Bonds of the Municipal Building Authority of Morgan County School District, Utah by Fiscal Year

FINANCIAL INFORMATION REGARDING MORGAN COUNTY SCHOOL DISTRICT, UTAH

- Financial Summaries
- Historical Tax Rates
- Taxable, Fair Market and Market Value of Property
- Historical Summaries of Taxable Values of Property
- Tax Collection Record
- Some of the Largest Taxpayers

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to EMMA or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available on EMMA; the Final Official Statement need not be available from the Commission. The Issuer shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be submitted to EMMA by 185 days after the last day of the Issuer’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

Audited Financial Statements will be prepared pursuant to generally accepted accounting principles applicable to governmental units in general and Utah school districts in particular. Audited Financial Statements will be submitted to EMMA within 30 days after availability to Issuer.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the Issuer will disseminate a notice of such change as required by Section 4.

EXHIBIT II

EVENTS WITH RESPECT TO THE BONDS FOR WHICH REPORTABLE EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Issuer*
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

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APPENDIX D

BOOK-ENTRY SYSTEM

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at <http://www.dtcc.com>.

Purchases of 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2018 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2018 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2018 Bonds, except if use of the book-entry system for the 2018 Bonds is discontinued.

To facilitate subsequent transfers, all 2018 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2018 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2018 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2018 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2018 Bond documents. For example, Beneficial Owners of 2018 Bonds may wish to ascertain that the nominee holding the 2018 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial

Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all the 2018 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2018 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2018 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Board or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2018 Bonds at any time by giving reasonable notice to the Board or the Paying Agent. Under such circumstances, if a successor depository is not obtained, 2018 Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2018 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

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