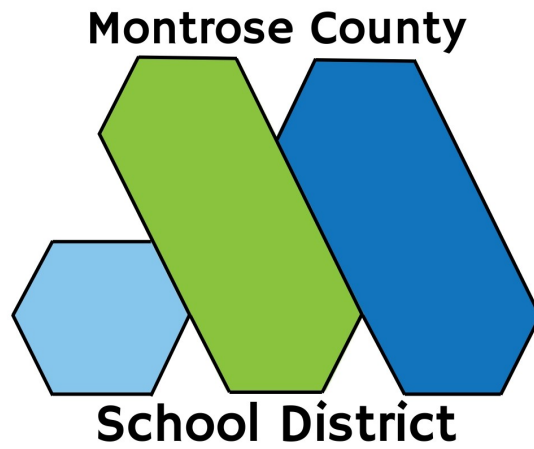


Montrose County School District RE-1J

Financial Report

June 30, 2025



MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Financial Report
June 30, 2025

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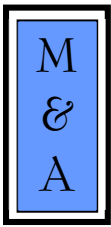
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INDEPENDENT AUDITOR'S REPORT

**To the Board of Education
Montrose County School District RE-1J
Montrose, Colorado**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Montrose County School District RE-1J, Colorado (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

We did not audit the financial statements of Vista Charter School, which represents 100% of the assets, net position and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Vista Charter School, is based solely on the report of the other auditors.

Basis for Opinions

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

Member: American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
To the Board of Education
Montrose County School District RE-1J
Montrose, Colorado

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with U.S. GAAS, we:

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

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

INDEPENDENT AUDITOR'S REPORT
To the Board of Education
Montrose County School District RE-1J
Montrose, Colorado

Required Supplementary Information

U.S. GAAP require Management's Discussion and Analysis in Section B, the Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Pension Contributions, Schedule of District's Proportionate Share of the Other Post-Employment Benefits Liabilities, Schedule of District's Other Post-Employment Benefit Contributions, and the Notes to the Required Supplemental Information in Section E, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in section B in accordance with U.S. GAAS, 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.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison information in section E is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary 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 fund financial statements, individual budgetary schedules, General Fund's Expenditure Matrix, the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures, and the Schedule of Expenditures of Federal Awards as required by *Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* included in the Single Audit Section listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements, individual budgetary schedules, General Fund's Expenditure Matrix, the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures, and the Schedule of Expenditures of Federal Awards listed in the accompanying table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 U.S. GAAS. In our opinion, the combining fund financial statements, individual budgetary schedules, the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures, and the Schedule of Expenditures of Federal Awards listed in the accompanying table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**INDEPENDENT AUDITOR'S REPORT
To the Board of Education
Montrose County School District RE-1J
Montrose, Colorado**

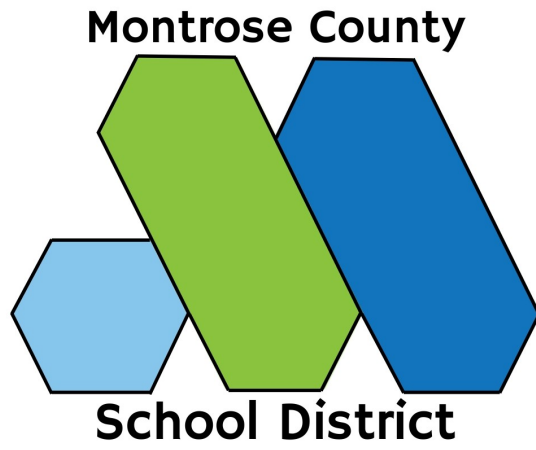
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated **December 1, 2025** 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 the 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 on compliance.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
Avon, Colorado
December 1, 2025**

Management's Discussion and Analysis



MONTROSE COUNTY SCHOOL DISTRICT RE-1J MONTROSE AND OLATHE, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the fiscal year ended June 30, 2025

As management of the Montrose County School District RE-1J, Montrose and Olathe, Colorado (the District), we offer readers of the District's Annual Financial Report this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here, in conjunction with additional information that can be found in the basic financial statements.

Financial Highlights

- On a government-wide level, the District's overall net position increased \$1.5 million to \$18.3 million from \$16.8 million in the prior year. This increase is primarily due to the decrease in deferred outflows and a decrease in deferred inflows from changes in assumptions in the pension and Other Post-Employment Benefits (OPEB) plans required by GASB 68 and 75 that require the District to show its proportionate share of PERA's net pension liability of \$17.3 billion in the government wide financial statements. The District has no control over or direct the investments that PERA makes and the computation of the future liability depends on factors beyond the District's controls, such as the life expectancy of PERA benefactors.
- Government-wide total liabilities decreased \$9.7 million from the prior year primarily due to a decrease in the District's portion of the PERA pension liability by \$7.6 million to \$98.6 million from \$106.5 million. Also, the District retired debt totaling \$1.5 million during the fiscal year through principal payments on both general obligation bonds and on notes payable.
- Total cash and investments increased by \$1.6 million or 3.6 percent from the prior year. The majority of the increase was in the General Fund of \$2.3 million mainly due to an increase in per pupil funding of \$538 per student. For all governmental funds, investment income came in \$559 thousand more than what was budgeted due to a sustained increase in interest rates. Other funds saw increases in cash of \$273 thousand due to timing of payments of large medical claims and \$443 thousand due to timing of technology purchases. Part of these increases were offset by decreases in the Food Service Fund of \$326K to fund equipment upgrades for multiple school kitchens along with covering significant food cost increases. The Building and Capital Reserve Funds had decreases of \$530k and \$593K, respectively, to pay for the completion of HVAC replacements in multiple school locations, completion of Phase 4 security projects along with upgrades to the alarm, clock and bell intercom systems in various school locations.
- As of June 30, 2025, fund balance of all the District's governmental funds increased \$390 thousand, resulting in an ending fund balance of \$38.2 million. This positive change is mainly due to additional revenues from interest income in all funds along with additional specific ownership taxes received in the General Fund.

Overview of the Financial Statements

The Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. Comparison to the prior year's activity is provided in this document. The District's basic financial statements presented on pages C1-D42 are comprised of 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 the reader of the District's Annual Financial Report a broad overview of the financial activities in a manner like a private sector business. The government-wide financial statements include the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information about all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between assets plus deferred outflows and liabilities plus deferred inflows is reported as net position. Over time, changes 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's changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in future periods (e.g., uncollected taxes and changes in long-term compensated absences).

Both of the government-wide financial statements distinguish functions of the District that are supported from taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or most of their costs from user fees and charges (business-type activities). Governmental activities consolidate governmental major funds including the General Fund and Designated Purpose Grants Fund along with the non-major special revenue funds. Governmental activities also include the Employee Medical Benefit Fund which is a proprietary fund. The District does not have any business-type activities.

Governmental activities consolidate all of the following district funds: General Fund, Designated-Purpose Grant Fund, Food Service Fund, Pupil Activity Fund, Fee in Lieu of Land Fund, Bond Redemption Fund, Capital Lease Fund, Building Fund and Capital Reserve Fund.

The government-wide financial statements can be found on pages C1-C2 of this report.

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Montrose County School District RE-1J, like other governmental agencies, uses fund accounting to ensure and demonstrate compliance. All funds of the District have been divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds account for essentially the same information reported in the governmental activities in the government-wide financial statements. However, unlike the government-wide statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the District's near-term financing requirements.

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

The District maintains nine different governmental funds. The major funds are the General Fund and the Designated Purpose Grants Fund. They are presented separately in the fund financial statements. The remaining governmental funds, called non-major funds, are combined into a single aggregated presentation labeled other governmental funds. Non-major funds include the District's Food Service Fund, the Pupil Activity Fund, the Fee in Lieu Fund, the Bond Redemption Fund, the Capital Lease Fund, the Building Fund and the Capital Projects Fund. Individual fund information for the non-major funds is presented as other supplementary information.

The District adopts an annual appropriated budget for each of the governmental funds. Budgetary comparison schedules for the General Fund, and the Designated Purpose Grants Fund are included on pages E1-E2 as required supplementary information in the financial statements to demonstrate compliance with the adopted budget. The remaining governmental funds budgetary comparisons are reported as other supplementary information on pages F5-F11. Non-governmental fund budgetary comparisons are reported on pages F12-F13.

The basic governmental fund financial statements can be found on pages C3-C6 of this report.

Proprietary Funds

The District maintains one proprietary fund, which is an internal service fund. Internal service funds are used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund type to account for the Employee Medical Benefit activities related to the District's employees' medical insurance needs.

The basic proprietary fund financial statements are presented on pages C7-C9 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the sources of those funds are not available to support the District's direct educational programs. The accounting method used for fiduciary funds is much like that used for proprietary funds. The District utilizes a fiduciary fund for its scholarships.

The fiduciary fund financial statements are presented on pages C10-C11 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found in Section D of this report.

Required Supplementary and Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required and other supplementary information concerning the District's non-major governmental funds and schedules required as part of the Colorado Public School Finance Act. Combined and individual fund statements and schedules can be found on pages F1-F11 of this report. The additional schedule required as part of the Colorado Public School Finance Act can be found on page F15 of this report.

Government-wide Financial Analysis

Government-wide Net Position

The assets of the District are classified as current assets and capital assets. Cash and investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the District. Cash and investments account for 35.0 percent of the total assets. Receivables reflect grant reimbursements along with the result of the property tax collection process as the District's receives over 95 percent of the annual property tax assessment between February and June.

Capital assets are used in the operations of the District. These assets are land, improvements, buildings, equipment, and vehicles. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

As of June 30, 2025, the District has a net investment of \$62.8 million in land, improvements, buildings, equipment, and vehicles that provide the services to the District's 5,991 public school students. The increase of \$3.0 million over the prior year net investment is mainly due to the addition of HVAC replacements at multiple school locations along with the completion of the Phase 4 security improvements and updates to the Alarm Clock and Bell System at various school locations and technology devices purchased for staff and students of all grade levels. Net position of \$1,986,904 accumulated due to voter approved bonded debt mill levy assessments have been restricted to provide resources to liquidate the current general obligation bond principal and related interest payments. \$265,830 of unspent Universal Preschool funds along with the legally required TABOR reserve of \$2,351,000 has also been restricted.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, accrued interest, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2025-2026.

Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal 2024-2025. Also included in noncurrent liabilities is the District's proportionate share of the net pension liability and OPEB liability.

As noted earlier, assets and deferred outflows exceed the liabilities and deferred inflows of the primary government by \$18.3 million with an unrestricted balance of (\$49.1 million). Total net position of the primary government does not include internal balances. The net position reflects the District's proportional share of PERA's net pension liability (\$96.9 million) and other post-employment benefits liability (\$1.7 million) on the District's financial statements. The District's net position increased by \$1.5 million due primarily to the decreases in deferred outflows and decreases in deferred inflows from changes in the assumptions in the pension and OPEB plans.

Government-wide Activities

Total assets decreased by \$1.4 million and total deferred outflows of resources decreased \$9.5 million. Total assets decreased due to a combination of changes. Cash and investments increased \$1.6 million. See explanations for the increase in paragraph three on page B1. This increase was offset by decreases in accounts receivable attributed to decrease of \$1.1 of Stop Loss receivables in the Employee Medical Fund. In addition, there was a decrease in Due from Other Governments', attributable to a decrease of \$1.9 million for the ESSER III grant and \$800 thousand decrease in the BEST grant for HVAC and Security projects that ended the beginning of FY 2024-25. Deferred outflows of resources decreased due mainly to a decrease in pensions related outflows of \$9.3 million added to a decrease in OPEB related outflows of \$210 thousand.

Overall liabilities decreased by \$9.7 million or 6.9% mainly due to the decrease in the Net Pension and OBEB liabilities of \$7.6 million and \$2.2 million in accounts payable. Pension related deferred inflows of resources decreased due to a decrease in related-pension outflows of \$2.2 million.

The table below provides a summary of the District's net position as of June 30, 2025 compared to June 30, 2024.

Comparative Summary of Net Position
June 30, 2025 and 2024

		Governmental Activities	
		2025	2024
Assets:			
Current assets		\$ 52,525,575	\$ 53,844,348
Capital assets		81,725,575	81,774,050
	Total Assets	\$ 134,251,150	\$ 135,618,398
Deferred Outflows:			
Deferred pension/OPEB outflows		20,885,003	30,403,161
	Total Deferred Outflows	20,885,003	30,403,161
Total Assets and Deferred Outflows		<u>\$ 155,136,153</u>	<u>\$ 166,021,559</u>
Liabilities:			
Current liabilities		\$ 13,596,863	\$ 14,544,220
Noncurrent liabilities		118,263,841	127,019,659
	Total Liabilities	131,860,704	141,563,879
Deferred Inflows:			
Deferred pension/OPEB inflow		4,967,109	7,673,614
Net Position:			
Net investment in capital assets		62,779,023	59,772,947
Restricted		4,603,734	4,212,993
Unrestricted		(49,074,417)	(47,201,874)
	Total Net Position	18,308,340	16,784,066
Total Liabilities, Deferred Inflows and Net Position		<u>\$ 155,136,153</u>	<u>\$ 166,021,559</u>

Governmental Activities

Governmental activities increased the net position of the District \$1.5 million during the year ended June 30, 2025. This increase in net position year over year is primarily attributable to the change in pension liability and related deferred inflows and outflows of resources.

The Statement of Activities shows the cost of program services and charges for services, grants and contributions offsetting those services. The table below provides a summary of the District’s change in net position for 2025 compared to 2024.

Comparative Schedule of Changes in Net Position
 Years ended June 30, 2025 and 2024

	Governmental Activities	
	2025	2024
Revenues:		
Program Revenues:		
Charges for services	\$ 2,001,919	\$ 1,966,635
Operating grants and contributions	14,282,792	15,601,086
Capital grants and contributions	1,318,209	3,562,776
General revenues;		
Property taxes	24,176,052	22,188,898
Specific ownership taxes	3,048,789	2,879,164
State equalization	43,424,888	40,223,270
Unrestricted grants	4,664,133	3,772,593
Unrestricted investment earnings	1,666,400	1,763,009
Gain on sale of asset	-	272,220
Allocation to Charter Schools	(1,982,226)	(1,839,464)
Total Revenues	<u>92,600,956</u>	<u>90,390,187</u>
Expenses:		
Governmental activities:		
Instruction	51,514,512	44,805,753
Supporting services:		
Students	6,672,682	6,392,240
Instruction	6,345,915	5,813,594
General administration	1,283,327	1,368,744
School administration	5,154,831	4,791,762
Business	1,337,304	1,244,051
Plant operation and maintenance	7,840,079	7,072,462
Student transportation	1,779,165	2,026,575
Central Services	2,589,786	2,218,005
Other	18,862	-
Nutritional Services	3,663,653	3,238,801
Community services	108,999	233,660
Student activities	2,011,733	1,867,294
Interest on long-term debt	755,839	787,813
Total Expenses	<u>91,076,687</u>	<u>81,860,754</u>
Change in Net Position	1,524,269	8,529,433
Net position, beginning of year	<u>16,784,066</u>	<u>8,254,633</u>
Net Position - June 30	<u>\$ 18,308,335</u>	<u>\$ 16,784,066</u>

Key elements of changes in net position for governmental activities are as follows:

- The Colorado Public School Finance Act provides for the majority of the funding of local school districts based on a funded pupil count formula and a standardized maximum statewide property tax mill levy. The state equalization formula includes the local property and specific ownership tax. The combined equalization, specific ownership and property taxes increased by \$5.2 million (8.0 percent). Student enrollment for the 2024-25 school year showed a decrease of 19.5 funded student full time equivalent (FTE) over the prior year. However, state equalization funds increased during the fiscal year due to an increase in per-pupil funding of \$892 per pupil to \$11,525 for 2024-25 and the elimination of the budget stabilization factor, which reduced the District's equalization revenue by \$916 thousand (the equivalent of \$166 per student) in fiscal year 2023-24.
- The Comparative Schedule of Changes in Net Position for the year ended June 30, 2024, found on page B5 as noted in Footnote I.E.15 includes retrospective reclassification of certain grant revenues and contributions. The reclassifications affect the presentation of revenues for operating grants and contributions, capital grants and contributions along with unrestricted grants. Under the updated classifications, some of the revenues recognized under unrestricted grants in FY 2023-24 are recognized as either operating or grant revenues in FY 2024-25. Management believes these reclassifications provide a more accurate and transparent picture of the nature of the District's ongoing operations.
- Operating grants for governmental activities decreased by \$1.3 million or 8.45 percent over the prior year. The main decrease is due to the decrease of the Coronavirus (COVID-19) State and Local funding from the American Rescue plan (ARP) (ESSER III) funds of \$1.8 million that had to be spent by September 30, 2024. Besides using these funds for HVAC replacement as noted in the paragraph below, these funds were also used for: Accelerated learning "Learning Loss", social emotional and mental health needs, and setup of outdoor classrooms. This decrease was offset by increases in various grants as follows: IDEA increased \$403 thousand and national School Breakfast and Lunch grants increased by \$75 thousand.
- Capital grants and contributions for governmental activities decreased \$2.2 million due to the completion of the replacement of HVAC equipment for multi-school locations (ventilation and air quality) that utilized BEST grant funding and American Rescue Plan (ARP) (ESSER III) funds. In FY 2024-25 the District received \$435 thousand compared to \$1.4 million in FY 2023-24 in ESSER III grant funding. In addition to the ESSER III grant funding the District received \$487 thousand for HVAC replacement in FY 2024-25 compared to \$1.6 million in FY 2023-24 in BEST grant funding.
- Unrestricted grant revenues and contributions increased by approximately \$892 thousand. The increase is due mainly to the increase in the On-Behalf payment by the State of Colorado for their portion of PERA funding from \$28 million in FY 2023-24 to \$130 million in FY 2024-25, which increased the District's portion of the On-Behalf payment \$621 thousand in FY 2024-25 from the prior year. In addition, there were increases in State ECEA categorical funding of \$239 thousand due to the District serving more students with special education needs and a \$203 thousand increase in Federal Medicaid due to increased salaries. These increases were-offset by decreases of \$123 thousand in Division of Wildlife Impact Assistance.
- Total governmental activities expenses increased \$9.2 million or 11.3%. Most of the increase relates to the overall increase in salaries and benefits of 12.6% along with increased food costs in the Food Service Fund due to the increased participation due to the Healthy School Meals for all program starting in FY 2023.24.

Financial Analysis of the Government's Funds

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

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. In particular, the unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of June 30, 2025, the District's governmental funds reported a combined fund balance of \$38.2 million, an increase of \$390 thousand. The majority of this increase was seen in the General Fund with an increase of \$1.4 million along with a \$442 thousand increase in the Capital Lease Fund. These increases were offset by decreases of \$155 thousand in the Food Service Fund, and decreases of \$779 and \$617 thousand in the Building and Capital Reserve Funds, respectively. These increases and decreases coincide with the changes in cash balances as noted in paragraph three on page B1. Total unassigned fund balance at the end of the fiscal year of \$7.5 million constitutes 19.6% of the total fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either in non-spendable form (i.e. prepaids and inventories), restricted, committed, or assigned to indicate that it is not available for new spending as follows: non-spendable \$989 thousand; restricted \$4.6 million, committed \$20.2 million, and assigned \$4.9 million.

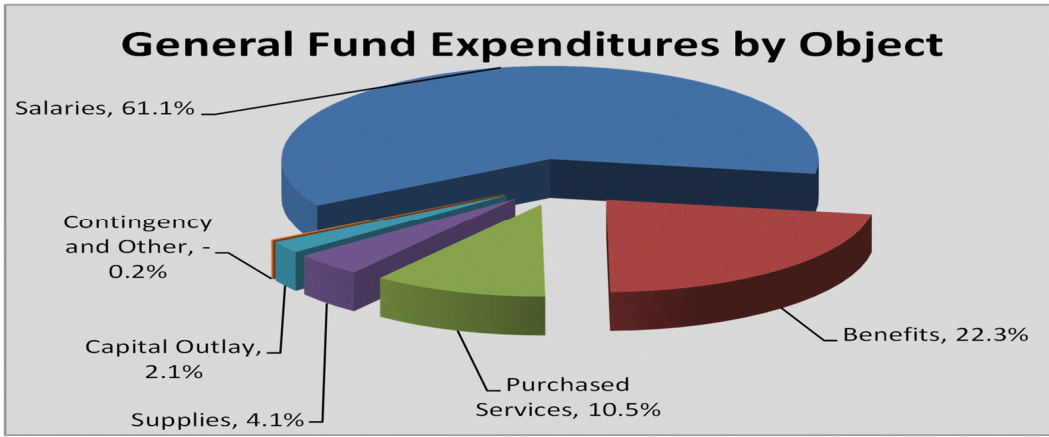
General Fund

The combined General Fund is a major governmental fund of Montrose County School District RE-1J and is the main operating fund of the District. The combined general fund under GASB 34 reporting requirements includes the General Operating Fund and the Insurance Reserve Fund. As of June 30, 2025, the combined General Fund shows an ending fund balance of \$19.7 million, an increase of \$1.4 million from the fund balance of \$18.2 million for the prior year. On the revenue side this increase is due to additional per-pupil funding of approximately \$5.07 million received. Per-pupil funding, includes Property Taxes, Specific Ownership Taxes, and State Equalization. For the 2024-25-year, total per-pupil funding increased 8.4% from \$10,633 to \$11,525, or \$892 per student.

On the expense side, the General Fund saw increases of \$7.6 million, due to an overall increase of 12.6% in salary and benefits negotiated package. Included in the package was a 4% increase in the District's contribution to employee medical premiums.

For the 2024-25 fiscal year, 83.4% of General Fund expenditures are for staff salaries and benefits. General Fund expenditures by object are shown in the table and graph below.

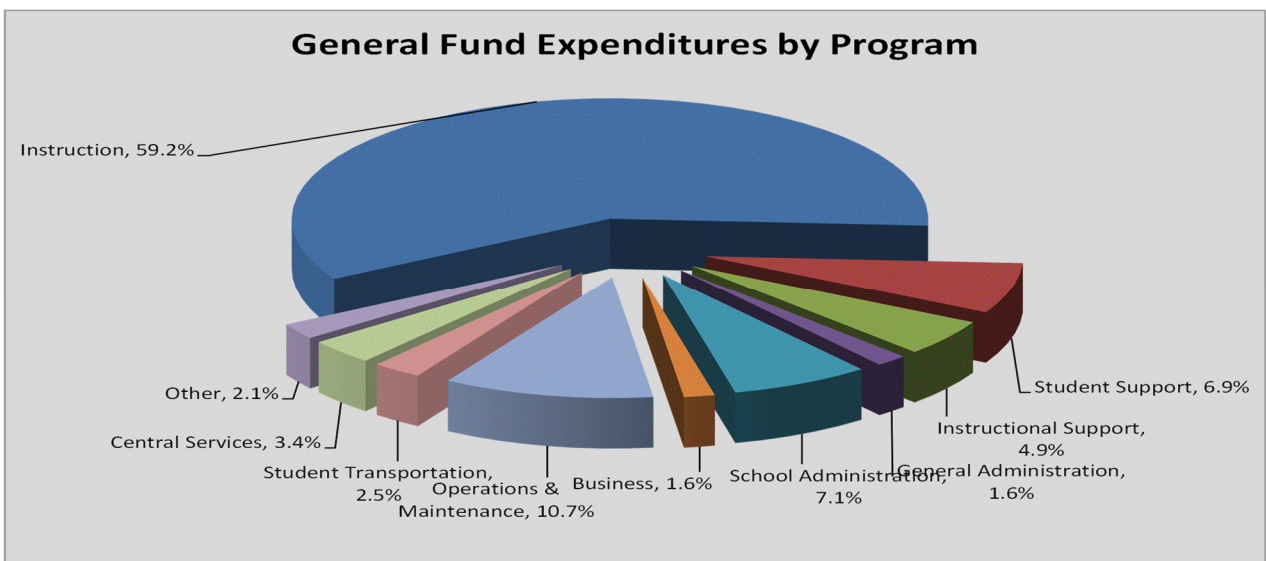
Objects	General Fund Expenditures by Object					
	2025	% of Actual	2024	% of Actual	% Change	
Salaries	\$ 42,762,189	61.1%	\$ 37,321,079	59.8%	14.6%	
Benefits	15,633,764	22.3%	13,216,228	21.2%	18.3%	
Purchased Services	7,352,334	10.5%	6,703,441	10.7%	9.7%	
Supplies	2,898,257	4.1%	2,917,842	4.7%	-0.7%	
Capital Outlay	1,483,167	2.1%	2,426,673	3.9%	-38.9%	
Contingency and Other	(135,547)	-0.2%	(184,772)	-0.3%	-26.6%	
Total	\$ 69,994,164	100.0%	\$ 62,400,491	100.0%	12.2%	



The District spent 71.0% of General Fund dollars on instructional related activities. Schools and various departments include both instructional and support expenditures. General Fund expenditures by program are shown in the table and graph below.

General Fund Expenditures by Program

Programs	2025	% of Actual	2024	% of Actual	% Change
Instruction	\$ 41,468,431	59.2%	\$ 35,092,588	56.2%	18.2%
Student Support	4,822,365	6.9%	4,370,091	7.0%	10.3%
Instructional Support	3,419,159	4.9%	3,202,312	5.1%	6.8%
General Administration	1,128,625	1.6%	1,020,100	1.6%	10.6%
School Administration	4,939,984	7.1%	4,313,458	6.9%	14.5%
Business	1,099,962	1.6%	1,132,573	1.8%	-2.9%
Operations & Maintenance	7,480,514	10.7%	6,835,924	11.0%	9.4%
Student Transportation	1,766,738	2.5%	2,013,067	3.2%	-12.2%
Central Services	2,375,366	3.4%	1,951,742	3.1%	21.7%
Other	1,493,020	2.1%	2,468,636	4.0%	-39.5%
Total	\$ 69,994,164	100.0%	\$ 62,400,491	100.0%	12.2%



Designated -Purpose Grants Fund

The Designated-Purpose Grant Fund is also a major fund for the District and is used to track a variety of federal, state and local grants awarded to the District for specific activities. Most of its revenue comes from the U.S. Department of Education program targeted to particular groups or needs. Expenditures totaled \$9.6 million, down from \$11.4 million in the prior year, primarily because the District completed spending its American Rescue Plan (ARP) (ESSER III) – COVID-19 State and Local Recovery Funds - by September 30, 2024. Additional details on ESSER III spending can be found in paragraphs three and four on page B6.

Food Service Fund

The Food Service Fund accounts for all revenues and expenditures associated with providing breakfast, lunch, and snacks for District students and staff. The fund operates on a financially self-supporting basis and saw a decrease in fund balance of \$155 thousand. The decrease was due mainly to increase in food costs and equipment purchases.

Student Activity Fund

The Student Activity Fund is used to account for student activities at each of the schools. Such activities are funded by student fees, activity gate fees, and other fund-raising activities, which are all considered local revenues. All expenses are for the Instruction program. Fund balance for the Student Activity Fund decreased by \$96 thousand, due to timing of payments of year-end spending.

Fee-In-Lieu Fund

The Fee-In-Lieu Fund is used to record revenues from subdivision fees from new residential real estate development in the City of Montrose, Town of Olathe, and Montrose County and is used for fund future capital projects and had a fund balance of \$916 thousand, which is a \$95 thousand increase over the prior year. The District saw a slight reduction in revenue during fiscal year 2024-25 and \$100 thousand was transferred to the Capital Reserve Fund for capital projects.

Bond Redemption Fund

The Bond Redemption Fund has a fund balance of \$2.0 million as of June 30, 2025. This fund finances and accounts for the payment of principal and interest on all long-term bonded debt of the District. Revenues for this fund come from voter-approved property taxes specifically for school district bonded debt. Principal and interest payments totaled \$1.9 million while tax revenue totaled \$2.0 million. The increase in fund balance of \$75 thousand was mainly due to interest income of \$65 thousand.

Capital Lease Fund

The Capital Lease Fund is utilized to finance and account for the payment of principal and interest on equipment notes payable. Revenues for this fund in fiscal year 2024-25 consist of transfers of \$739 thousand from the General Fund. Notes payable principal and interest payments totaled \$296 thousand. Fund balance increased \$443 thousand from the prior year that will be utilized in future years to help fund a 10-year technology plan.

Building Fund

The Building Fund is used to account for the construction of large projects and large repairs to facilities. The primary external source of funding for fiscal year 2024-25 was from BEST grants from the State of Colorado of \$487 thousand for HVAC replacement and multiple school locations and approximately \$127 thousand in interest income. In addition, transfers of \$600 thousand were made from the General Fund to allow for future construction projects.

Capital Reserve Fund

The Capital Reserve Fund accounts for the acquisition and maintenance of sites, buildings, equipment and vehicles. The majority of the revenues for this fund come from transfers from other funds. In fiscal year 2024-25, the District transferred \$750 thousand from the General Fund and \$100 thousand from the Fee In-Lieu Fund to pay for deferred maintenance projects.

General Fund Budgetary Highlights

The District's budget development process is consistent with current Colorado statutes that require a proposed budget be presented to Boards of Education on or before May 31 with budget adoption by June 30. The law provides for school boards to adjust revenues and expenditures through January 31 of each fiscal year.

A 2023-24 mid-year analysis was completed in February 2024 and established the base of expenditure assumptions for 2024-25. After reviewing enrollment projections and the most current revenue assumptions, the Superintendent and her cabinet prepared a preliminary budget plan by prioritizing the needs of the District. Budget priorities are also established based on input from the Board of Education and the District Accountability Committee. The Proposed Budget was informally presented to the Board of Education on May 31, 2024, and was formally presented and adopted at the June 25, 2024 Board meeting and the revised budget was adopted during January 2025.

A Budgetary Comparison Schedule for the General Fund is included on page E1 of this document. Significant differences between final budgeted and actual revenues are as follows:

There is a positive variance between actual revenues and the final budget of \$1.6 million. The majority of the difference is due to the District receiving \$283 thousand more in local property taxes, specific ownership taxes coming in higher by approximately \$423 thousand, investment income coming in at \$271 thousand higher than estimated, \$92 thousand for unbudgeted Forest Service funds received, \$227 thousand coming in higher than estimated for Medicaid, and \$262K in other revenues such as vaping settlement and tech buyback proceeds.

A total positive variance between the final expenditures budget before other financing uses and actual is \$18.1 million, is due mainly to the District not needing to utilize any of the \$17.5 million budgeted fund balance appropriation along with approximately \$180 thousand in savings of salaries and compensation from vacant positions not filled during the year along with \$440 thousand in savings for transportation costs due to combined routes.

Capital Assets and Debt Administration

The District’s investment in capital assets for its governmental activities as of June 30, 2025, amounts to \$81.7 million (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles, and projects in progress. The District’s investment in capital assets decreased for the current fiscal year by \$48 thousand. The District added capital assets (see details below) of \$5.03 million offset by depreciation expense of \$5.08 million.

Major capital asset additions during the current fiscal year included the following:

- Land purchase
- Phase 4 security equipment improvements at various school locations
- HVAC replacement projects completed at multiple school locations
- Alarm, clock and bell intercom system upgrades at various school locations
- Technology equipment and devices for staff and students of all grade levels

Montrose County School District RE-1J
 Net Investment in Capital Assets
 June 30, 2025 and 2024

	Governmental Activities	
	2025	2024
Land	\$ 1,944,261	\$ 1,538,075
Construction in Progress	1,339,439	4,398,957
Improvements	27,781,818	23,585,177
Buildings	46,764,199	48,805,295
Equipment	3,895,858	3,446,546
Total Capital Assets	\$ 81,725,575	\$ 81,774,050

Additional information on the District’s capital assets can be found in Note D on pages D19-D20.

At June 30, 2025, the District had total bonded debt outstanding of \$17.3 million, backed by the full faith and credit of the District. The District has debt outstanding for notes payable in the amount of \$749 thousand. Additionally, the District has compensated absences payable of \$2.5 million.

General obligation Bonds, Employee Benefits, and Notes Payable
June 30, 2025, and 2024

Governmental Activities		
	2025	2024
General Obligation Bonds	\$18,197,745	\$19,393,093
2012 Notes Payable	748,807	1,022,342
Compensated absences	2,503,206	2,026,044
Total long-term obligations	<u>\$ 21,449,758</u>	<u>\$ 22,441,479</u>

Additional information on the District’s long-term obligations can be found in Note E on pages D20-D22 of this report.

Economic Factors and Next Year’s Budget and Rates

The Colorado State economic picture is important to the District because more than 88% of the revenue anticipated to be received by the District’s General Fund is determined by the State’s School Finance Act of 2024 established by the State Legislature and the related HB25-1320. The act established a new funding formula that phases in \$500 million more in state funding over seven years, with the first 15% being applied in the FY 2025-26 budget year. The District budgeted for \$11,953 State per-pupil funding which is an increase of 3.7 percent over the 2024-25 State funding level due to many factors in the new funding formula. For the 2025-26 fiscal year, the negative factor remained \$0.

The mission of the District is to ensure that all students have a safe and academically rigorous environment in which to learn. All students entering into our high schools will graduate with life skills and knowledge required to enter into the workforce, begin a career, attend college or other post-secondary education opportunities of their choice, without remediation. All Budget monies that this District spends are dedicated toward the District mission and priorities of the Strategic Plan and Master Capital Plan. To that end, the budget was designed to (1) support the Board goals and objectives, (2) recognize that staff is our most valuable asset, and (3) promote good stewardship of our public funds. In order to support the goals and objectives of the District, the following items have been identified as budget priorities for 2025-26:

- Student academic achievement and learning outcomes
- Support mental health needs for students and staff
- Ensure safe and upgraded facilities in alignment with the Master Capital Plan
- Expand career pathways, visual arts, and performing arts
- Most competitive comprehensive compensation and benefits package on the Western Slope with a focus on recruitment and retention
- Sustain programs implemented with one-time ESSER Federal Grant Funds

The District received more than \$22.8 million in various COVID-19 Pandemic Relief Funds over the past four years, which was spent by September 30, 2024. The District is not expected to encounter a funding cliff due to strategic budgeting to ensure ongoing programs are sustained by the program sustainability reserve in assigned fund balance until 100% is maintained by the General Fund. For the 2025-26 fiscal year, the District budgeted to use approximately \$1.4 million of the program sustainability fund in assigned fund balance.

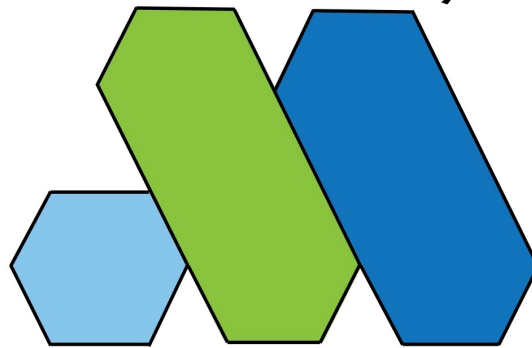
Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. The financial report for Vista Charter School, a component unit which has separately issued financial statements, can be obtained by contacting the school at (970) 249-4470. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Emily Imus, Director of Finance
Montrose County School District RE-1J
930 Colorado Avenue
PO Box 10,000
Montrose, Colorado 81402
emily.imus@mcsd.org

Basic Financial Statements

Montrose County



School District

MONTROSE COUNTY SCHOOL DISTRICT RE-1J

Statement of Net Position

June 30, 2025

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Vista Charter School</u>
Assets:		
Cash and investments	\$ 46,994,720	\$ 3,582,521
Accounts receivable	183,357	13,742
Taxes receivable	1,696,071	-
Due from other governments	2,662,060	14,362
Prepaid expenses	716,828	-
Inventory	272,539	-
Capital assets not being depreciated	3,283,700	595,320
Capital assets, net of accumulated depreciation	<u>78,441,875</u>	<u>3,675,599</u>
Total Assets	<u>134,251,150</u>	<u>7,881,544</u>
Deferred Outflows of Resources:		
Pension related	20,105,114	376,613
OPEB related	779,889	15,328
Total Deferred Outflows of Resources	<u>20,885,003</u>	<u>391,941</u>
Liabilities:		
Accounts, retainage, and deposits payable	2,215,641	29,093
Accrued compensation	8,174,139	76,934
Accrued interest	71,356	-
Unearned revenue	1,356,874	314,653
Long-term liabilities:		
Due within one year:		
Bonds and notes payable	1,378,340	-
Compensated absences	400,513	-
Due in more than one year:		
Bonds and notes payable	17,568,212	-
Compensated absences	2,102,693	-
Net pension liability	96,874,117	2,068,424
Net OPEB liability	<u>1,718,819</u>	<u>36,700</u>
Total Liabilities	<u>131,860,704</u>	<u>2,525,804</u>
Deferred Inflows of Resources:		
Pension related	3,996,480	30,235
OPEB related	970,629	33,237
Total Deferred Inflows of Resources	<u>4,967,109</u>	<u>63,472</u>
Net Position:		
Net investment in capital assets	62,779,023	-
Restricted for:		
Debt service	1,986,904	-
Universal Preschool Program (UPK) Reserve	265,830	-
TABOR Reserve	2,351,000	-
Unrestricted	<u>(49,074,417)</u>	<u>5,684,209</u>
Total Net Position	<u>\$ 18,308,340</u>	<u>\$ 5,684,209</u>

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Statement of Activities
For the Year Ended June 30, 2025

	Program Revenues				Net Expenses (Revenues) and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental	Unit
				Governmental	Vista	
Functions/Programs				Activities	Charter School	
Governmental Activities:						
Direct instruction	\$ 51,514,507	\$ 21,459	\$ 5,377,352	\$ 830,808	\$ (45,284,888)	
Supporting services:						
Students	6,672,682	-	1,697,317	-	(4,975,365)	
Instructional staff	6,345,915	-	2,716,765	-	(3,629,150)	
General administration	1,283,327	-	85,609	-	(1,197,718)	
School administration	5,154,831	-	91,127	-	(5,063,704)	
Business	1,337,304	-	77,381	-	(1,259,923)	
Central	2,589,786	-	66,488	-	(2,523,298)	
Other	18,862	-	17,693	-	(1,169)	
Transportation	1,779,165	-	697,137	-	(1,082,028)	
Operations and maintenance	7,840,079	-	7,365	487,401	(7,345,313)	
Community services	108,999	-	108,161	-	(838)	
Food service	3,663,653	90,619	3,313,777	-	(259,257)	
Student activities	2,011,733	1,889,841	26,620	-	(95,272)	
Interest on long-term debt	755,839	-	-	-	(755,839)	
Total Governmental Activities	91,076,682	2,001,919	14,282,792	1,318,209	(73,473,762)	
Total Primary Government	\$ 91,076,682	\$ 2,001,919	\$ 14,282,792	\$ 1,318,209	\$ (73,473,762)	
Component units						
Vista Charter School	\$ 2,138,007	\$ 1,317	\$ 111,303	\$ 12,043		\$ (2,013,344)
Total Component Units	\$ 2,138,007	\$ 1,317	\$ 111,303	\$ 12,043		\$ (2,013,344)
General Revenues:						
Property taxes levied for general purposes				22,228,858	-	
Property taxes levied for debt service				1,947,194	-	
Specific ownership taxes				3,048,789	-	
State equalization				41,442,662	1,982,226	
Grants and contributions not restricted to specific programs				4,664,133	-	
Interest and investment earnings				1,666,400	127,666	
Total general revenues				74,998,036	2,109,892	
Change in Net Position				1,524,274	96,548	
Net Position - Beginning of Year				16,784,066	5,587,661	
Net Position - End of Year				\$ 18,308,340	\$ 5,684,209	

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J

**Balance Sheet
Governmental Funds
June 30, 2025**

	<u>General Fund</u>	<u>Designated- Purpose Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and investments	\$ 25,002,862	\$ -	\$ 17,902,641	\$ 42,905,503
Accounts receivable, net:				
Taxes	1,213,096	-	482,975	1,696,071
Intergovernmental	484,357	1,787,176	390,527	2,662,060
Other receivables	21,068	-	101,431	122,499
Due from other funds	1,198,456	-	-	1,198,456
Prepaid items	700,828	-	16,000	716,828
Inventories	188,054	-	84,485	272,539
	<u>28,808,721</u>	<u>1,787,176</u>	<u>18,978,059</u>	<u>49,573,956</u>
Total Assets	\$ 28,808,721	\$ 1,787,176	\$ 18,978,059	\$ 49,573,956
Liabilities:				
Accounts payable and accrued expenses	\$ 386,091	\$ 41,819	\$ 258,707	\$ 686,617
Accrued salaries and benefits	7,272,440	804,837	96,862	8,174,139
Due to other funds	886,381	312,075	-	1,198,456
Unearned revenue	-	628,445	31,007	659,452
	<u>8,544,912</u>	<u>1,787,176</u>	<u>386,576</u>	<u>10,718,664</u>
Total Liabilities	8,544,912	1,787,176	386,576	10,718,664
Deferred Inflows of Resources:				
Unavailable property taxes	273,990	-	29,386	303,376
Unavailable transportation revenue	337,086	-	-	337,086
	<u>611,076</u>	<u>-</u>	<u>29,386</u>	<u>640,462</u>
Total Deferred Inflows of Resources	611,076	-	29,386	640,462
Fund Balances:				
Non-spendable:				
Prepaid items	700,828	-	16,000	716,828
Inventories	188,054	-	84,485	272,539
Restricted for:				
Debt service	-	-	1,986,904	1,986,904
Universal Preschool Program (UPK) Reserve	265,830	-	-	265,830
TABOR Reserve	2,351,000	-	-	2,351,000
Committed for:				
Multi-year contracts	708,723	-	-	708,723
Debt service	-	-	3,533,753	3,533,753
Nutritional service	-	-	737,870	737,870
Student activities	-	-	1,592,171	1,592,171
Capital projects	-	-	10,610,914	10,610,914
Contingency reserve	3,000,000	-	-	3,000,000
Assigned for:				
School based health centers	343,357	-	-	343,357
Program sustainability reserve	3,701,746	-	-	3,701,746
Unassigned	7,506,814	-	-	7,506,814
	<u>19,652,733</u>	<u>-</u>	<u>18,562,097</u>	<u>38,214,830</u>
Total Fund Balances	19,652,733	-	18,562,097	38,214,830
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 28,808,721	\$ 1,787,176	\$ 18,978,059	\$ 49,573,956

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

Governmental Funds Total Fund Balance		\$ 38,214,830
<i>Add:</i>		
Property taxes receivable will be collected this calendar year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows.		303,376
State transportation revenues will be collected this calendar year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows.		337,086
Capital assets used in governmental activities are not considered current financial resources and therefore, are not reported in the governmental funds. However, in the Statement of Net Position the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation or amortization expense:		
Capital assets	149,721,043	
Less accumulated depreciation	<u>(67,995,468)</u>	81,725,575
An internal service fund is used by the District's management to charge the cost of employee health and dental benefits to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		1,923,629
Changes in pension and OPEB related actuarial assumptions, proportion of collective pension and OPEB amounts, differences between actual and expected experience and investment earnings, and differences between actual and annualized contributions to the pension plan and Health Care Trust Fund are recorded as deferred inflows or outflows of resources and amortized over the average remaining service life of all active and inactive plan members:		
Unamortized pension-related deferred outflows	20,105,114	
Unamortized pension-related deferred inflows	(3,996,480)	
Unamortized OPEB-related deferred outflows	779,889	
Unamortized OPEB-related deferred inflows	<u>(970,629)</u>	15,917,894
<i>Less:</i>		
Deferred items such as deferred refunding costs, and premiums and discounts on bonded debt, are treated as current transactions on the fund financial statements but are capitalized and amortized on the Statement of Net Position.		
Premiums and discounts on bonded debt		<u>(852,745)</u>
Long-term liabilities, including bonds payable, net pension and OPEB liability, accrued compensated absences, retainage payable, and accrued interest are not due and payable in the current period and therefore, are not reported in the funds. This is the amount of District long-term liabilities:		
Bonds payable	(17,345,000)	
Notes payable	(748,807)	
Net pension liability	(96,874,117)	
Net OPEB liability	(1,718,819)	
Accrued compensated absences	(2,503,206)	
Accrued interest	<u>(71,356)</u>	<u>(119,261,305)</u>
Governmental Activities Net Position		<u>\$ 18,308,340</u>

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	<u>General Fund</u>	<u>Designated- Purpose Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Local sources	\$ 27,133,509	\$ 320,183	\$ 4,124,289	\$ 31,577,981
Intermediate sources	97,371	-	197,352	294,723
State sources	47,358,706	2,089,006	1,211,054	50,658,766
Federal sources	897,636	7,145,687	2,585,648	10,628,971
Total Revenues	<u>75,487,222</u>	<u>9,554,876</u>	<u>8,118,343</u>	<u>93,160,441</u>
Expenditures:				
Direct instruction	41,468,431	3,858,239	-	45,326,670
Supporting services:				
Students	4,822,365	1,697,317	-	6,519,682
Instructional staff	3,419,159	2,716,765	-	6,135,924
General administration	1,128,625	85,609	-	1,214,234
School administration	4,939,984	91,127	-	5,031,111
Business	1,099,962	77,381	-	1,177,343
Central	2,375,366	66,488	-	2,441,854
Other	1,168	17,693	-	18,861
Operations and maintenance	7,480,514	165	-	7,480,679
Transportation	1,766,738	5,123	-	1,771,861
Community service	-	108,161	-	108,161
Food service	8,163	-	3,499,681	3,507,844
Student activities	-	-	1,985,114	1,985,114
Debt service:				
Principal	-	-	1,313,535	1,313,535
Interest	-	-	920,500	920,500
Capital outlay	1,483,689	830,808	3,520,408	5,834,905
Total Expenditures	<u>69,994,164</u>	<u>9,554,876</u>	<u>11,239,238</u>	<u>90,788,278</u>
Excess (Deficiency) or Revenues Over Expenditures	<u>5,493,058</u>	<u>-</u>	<u>(3,120,895)</u>	<u>2,372,163</u>
Other Financing Sources (Uses):				
Charter school allocation	(1,982,226)	-	-	(1,982,226)
Transfers in	1,886,381	-	2,189,000	4,075,381
Transfers (out)	(3,975,381)	-	(100,000)	(4,075,381)
Total Other Financing Sources (Uses)	<u>(4,071,226)</u>	<u>-</u>	<u>2,089,000</u>	<u>(1,982,226)</u>
Net Change in Fund Balances	1,421,832	-	(1,031,895)	389,937
Fund Balances (Deficit) - Beginning of Year	18,230,901	-	19,593,992	37,824,893
Fund Balances - End of Year	<u>\$ 19,652,733</u>	<u>\$ -</u>	<u>\$ 18,562,097</u>	<u>\$ 38,214,830</u>

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Reconciliation of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

Governmental Funds Changes in Fund Balances	\$ 389,937
<i>Changes:</i>	
An internal service fund is used by the District's management to charge the costs of employee health and dental benefits to the individual funds. The assets and liabilities of the internal service fund are included within governmental activities on the Statement of Net Position.	(796,443)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay reported as an expenditure in the governmental funds functions.	5,028,628
Deferred property tax revenues do not provide current financial resources and are deferred on the governmental fund financial statements but recognized on the government-wide financial statements. This is the change in the deferred property tax recognized in the Statement of Activities.	168,082
Deferred state transportation reimbursements do not provide current financial resources and are deferred on the governmental fund financial statements but recognized on the government-wide financial statements. This is the change in the deferred transportation revenue recognized in the Statement of Activities.	337,086
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation reported as an expenditures in the governmental activities' functions.	(5,077,103)
Retirement of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of principal repayments.	1,313,535
Retainage payable is not considered a current liability and is therefore recognized on the government-wide financial statements. This is the change in the retainage payable recognized in the Statement of Activities.	140,553
Interest on long-term debt in the Statement of Activities differed from the amount reported in the governmental funds. Interest is recorded as an expenditure in the funds when it is due, while interest is recorded when incurred in the Statement of Activities. This is the change in accrued interest payable during the year.	4,992
Amortization of deferred costs such as premium and discounts on bonds payable and deferred charges from refundings and changes in accrued interest have no impact on current available resources but do change government-wide net position.	155,348
Changes in the District's net pension and OPEB liabilities reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in the District's net pension and OPEB liabilities during the year, including differences between employer contributions to the pension plan or Health Care Trust Fund and amortization of pension-related and OPEB-related deferrals.	336,821
Accrued compensated absences and retirement benefit obligations reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. This is the change in accrued compensated absences during the year.	<u>(477,162)</u>
Governmental Activities Change in Net Position	<u>\$ 1,524,274</u>

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Statement of Net Position
Proprietary Fund
June 30, 2025

	Governmental Activities - Internal Service Fund
Assets:	
Cash and investments	\$ 4,089,217
Accounts receivable:	
Other receivables	60,858
Total Assets	\$ 4,150,075
 Liabilities:	
Accrued medical claims payable	\$ 1,529,024
Unearned revenue	697,422
Total Liabilities	2,226,446
 Net Position:	
Unrestricted	1,923,629
Total Liabilities and Net Position	\$ 4,150,075

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2025

	Governmental- Activities Internal Service Fund
Revenues	
Premiums	\$ 8,218,484
Stop loss reimbursements	133,828
Prescription rebates	92,385
Total Revenues	8,444,697
Expenses	
Medical claims paid	7,726,993
Fees and supplies	1,677,505
Total Expenses	9,404,498
Income (loss) from Operations	(959,801)
Non-Operating Revenues (Expenses)	
Investment income (loss)	163,358
Change in Net Position	(796,443)
Net Position - Beginning of Year	2,720,072
Net Position - End of Year	\$ 1,923,629

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2025

	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities:	
Cash received for insurance premiums	\$ 8,264,562
Cash received for stop loss payments	1,007,363
Other cash receipts	92,385
Cash paid for insurance claims	(7,517,577)
Cash paid for goods and services	(1,736,797)
Net Cash Provided (Used) by Operating Activities	109,936
Cash Flows from Investing Activities:	
Interest income	163,358
Net Cash Provided (Used) by Investing Activities	163,358
Net Increase (Decrease) in Cash and Cash Equivalents	273,294
Cash and Cash Equivalents - Beginning of the Year	3,815,923
Cash and Cash Equivalents - End of the Year	\$ 4,089,217
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Income (loss) from Operations	\$ (959,801)
Adjustments to reconcile:	
(Increase) decrease in accounts receivable	1,082,951
Increase (decrease) in accounts payable and accrued medical claims	(59,292)
Increase (decrease) in deferred revenue	46,078
Net Cash Provided (Used) by Operating Activities	\$ 109,936

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Statement of Fiduciary Net Position
Scholarship Trust Fund
June 30, 2025

Assets:	
Cash and investments	\$ 1,525,718
Rental property	<u>10,000</u>
Total Assets	<u><u>\$ 1,535,718</u></u>
 Liabilities:	
Scholarships payable	<u>\$ 255,989</u>
Total Liabilities	<u>255,989</u>
 Net Position:	
Nonexpendable - Permanently restricted	885,400
Restricted for scholarships	<u>394,329</u>
Total Net Position	<u><u>1,279,729</u></u>
Total Liabilities and Net Position	<u><u>\$ 1,535,718</u></u>

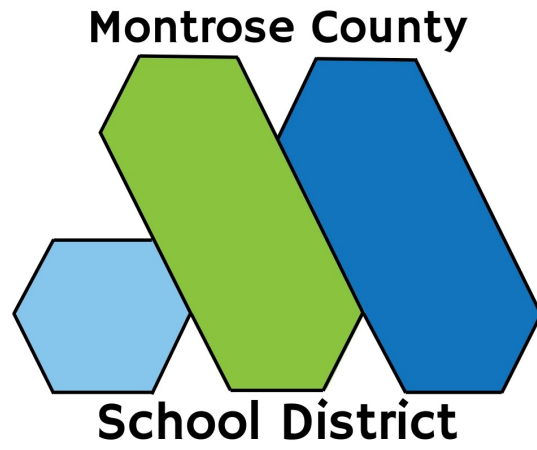
The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Statement of Changes in Fiduciary Net Position
Scholarship Trust Fund
June 30, 2025

Additions:	
Investment income (loss)	\$ 68,967
Rental income	12,000
Contributions	<u>72,505</u>
Total Additions	<u><u>\$ 153,472</u></u>
 Deductions	
Scholarships awarded	\$ 61,290
Operations and maintenance	<u>1,094</u>
Total Deductions	<u>62,384</u>
Change in Net Position	91,088
Net Position - Beginning of Year	<u>1,188,641</u>
Net Position - End of Year	<u><u>\$ 1,279,729</u></u>

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements



MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025

I. Summary of Significant Accounting Policies

Montrose County School District RE-1J (the “District”) was formed in 1962 and is located in the Montrose communities on the Western Slope of Colorado, and includes portions of Montrose, Gunnison, and Ouray Counties. The District provides academic and vocational curriculum, student transportation, food services, athletic and cultural extracurricular activities, maintenance and general administrative services, and operates under an elected Board of Education comprised of seven members. The District operates the following schools:

Early Childhood	Middle Schools	High Schools
Early Childhood Centers	Columbine Middle School Centennial Middle School	Black Canyon High School Montrose High School Olathe Middle and High School
Elementary Schools	Charter Schools	Other
Cottonwood Elementary Johnson Elementary Northside Elementary Oak Grove Elementary Olathe Elementary Pomona Elementary	Vista Charter School	Peak Virtual Academy Outer Range Outdoor School

The District’s financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Financial Reporting Entity

The reporting entity consists of (a) the primary government, i.e., the District; and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint the voting majority of an organization’s governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations that are fiscally dependent, i.e., unable to adopt a budget, levy tax, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete are also included with the reporting entity. As required by GAAP, the financial statements of the reporting entity include those of the District and its component units, entities for which the District is considered financially accountable.

The Legislature of the State of Colorado enacted the “Charter School Act – Colorado Revised Statutes (CRS) Section 22-30.5-101” in 1993. This Act permits the District to contract with individuals and organizations for the operation of schools within the District. The statutes define these contracted schools as “charter schools”.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

I. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Charter schools are financed from a portion of the District's School Finance Act revenues and from revenues generated by the charter schools, within the limits established by the Charter School Act. Charter schools have separate governing boards; however, the District's Board of Education must approve all charter school applications and budgets.

Visa Charter School consists of an alternative high school and expulsion/intervention/prevention program

Complete financial statements of Vista Charter School can be obtained from the administrative offices of the District or from Vista Charter School at: 1810 St. Mary's Dr., Montrose, CO 81401 or by calling (970) 249-4470.

The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding sources. However, the District is not included in any other governmental reporting entity.

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Government-wide financial statements report information on all the activities of the District and its component unit. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The District has no business-type activities.

The government-wide Statement of Activities reports both the gross and net cost of the District's governmental functions. The governmental functions are also supported by general government revenues (property taxes, specific ownership taxes, investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

Program revenues must be directly associated with the governmental function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's operations.

The financial transactions of the District are reported in individual fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise assets, liabilities, fund equity, revenues, and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

I. Summary of Significant Accounting Policies (continued)

C. Fund Financial Statements

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund. Major revenue sources include local property taxes, specific ownership (personal property) taxes, and State of Colorado equalization funding, as determined by the School Finance Act of 1994, as amended. Expenditures include all costs assisted with the daily operation of the schools, except for certain programs funded by grants from federal and state governments, certain capital outlay expenditures, debt service, food service operations, and other pupil activities.

The *Designated-Purpose Grant Fund* accounts for all federal, state, and local grants which are restricted as to the type of expenditures for which they may be used.

Additionally, the District reports the following fund types:

An Internal Service Fund accounts for benefits or goods or services undertaken by the District to primarily support the District and/or its employees. The District's only internal service fund is the *Employee Medical Benefit Fund*, which services the District's self-funded health insurance plan.

A Fiduciary Fund accounts for assets held on behalf of others, which will benefit parties that are not part of the District administering the fund. Fiduciary funds are excluded from reporting in the government-wide financial statements. The Budgets are not required to be adopted for the District's custodial funds. The District's only Fiduciary fund is the *Scholarship Trust Fund*, which accounts for scholarship funds held by the District in a trustee capacity.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Both the governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flow.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (120 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred.

The exception to this general rule is that principal and interest on general long-term debt and compensated absences are recorded only when payment is due.

Property taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when qualified expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

3. Financial Statement Presentation

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) fees, fines, and charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

E. Financial Statement Accounts

1. Cash, Cash Equivalents, and Investments

For the purpose of the statement of cash flows, the District defines cash and cash equivalents as amounts in demand deposits as well as short-term, highly liquid investments with original maturities of three months or less.

Cash equivalents are both readily convertible to cash and are so near their maturity they present insignificant risk of change in value due to interest rate changes.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

1. Cash, Cash Equivalents, and Investments (continued)

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, custodial and concertation risk criteria in which local governments may invest, which include (with applicable minimum NRSRO credit rating restrictions):

- Obligations of the United States and certain U.S. agency securities
- General obligation and revenue bonds of U.S. local government entities (AA)
- Bankers' acceptance of certain banks (AA)
- Commercial paper and corporate bonds (A-1)
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds (AAAm)
- Certificates of deposit – non-negotiable
- Local government investment pools (AAAm)

Investments are stated at fair value or net asset value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

2. Receivables

All property tax and other receivables are shown net of an allowance for uncollectible accounts. At June 30, 2025, the District deems all receivables collectable and therefore does not have an allowance for uncollectible accounts established.

Property taxes are levied in December and attach as a lien on property the following January 1. They are payable in full by April 30, or in two equal installments due February 28 and June 15. Property taxes previously levied and collected in the following year are reported as a receivable at June 30, net of an estimated uncollectible portion. The portion of the property taxes receivable and transportation revenues receivable not collected within 60 days after June 30 is recorded as deferred inflow of resources, since such tax collections are not available to pay liabilities of the fiscal year ended June 30. The period of availability for grant funds is 120 days, after which receivables are recognized as deferred inflows of resources.

3. Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories recorded in the *Food Service Fund* consist of purchased and donated commodities. Donated commodities inventories are offset by unearned revenue. Donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

4. Prepaid Items

The District uses the consumption method to account for prepaid items. Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital Assets

Capital assets, which include land, buildings improvements, vehicles, and equipment, are reported in the governmental column in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$10,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost where historical records are available and at an estimated historical cost where no historical record exists. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital outlay for projects is capitalized as projects are constructed. Costs related to the construction of assets including, engineering, legal, surveying, and landscaping that were incurred from the beginning of construction until the assets were substantially complete are capitalized. Interest is expensed as incurred.

Capital assets (excluding land and construction in progress) of the primary government and its component unit are depreciated using the straight-line method over estimated useful lives of the underlying assets, as shown below.

	<u>Estimated lives</u>
Buildings	40 years
Improvements	20 years
Equipment	5 - 15 years

6. Compensated Absences

A. Vacation

Accrued vacation benefits represent accumulated vacation benefits of support and administrative employees. Employees may accumulate a maximum of two years' vacation days with payment for unused days payable on termination, death or retirement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

6. Compensated Absences (continued)

B. General Leave/Sick Leave

General leave begins accruing on the first day of employment and accrues at the rate of 10 days per year. Employees with greater than 9-month contracts will accrue 1 additional day for each additional month contracted. Unused general leave in a given contract year accumulates as sick leave in subsequent years – up to 90 days. Employees may accumulate up to 90 days sick leave/general leave. At the end of each fiscal year, the unused leave in excess of 90 days is paid at the following rates: teachers at the rate of 75% of the cost of a substitute teacher; classified staff at the rate of 50% of their daily rates; and administrators at the rate of 40% of their daily rate, not to exceed \$100 per day. At the time of resignation, or other termination of employment, teachers and administrators shall be paid for accrued general leave at the rates stated above. Only classified staff eligible for the District's retirement bonus program will be paid for accrued general leave and will be paid at the rate stated above. At the time of retirement, unsaved leave for teachers will be paid at a rate of 100% of the cost of a substitute and for administrators at 40% of the daily rate, not to exceed \$100 per day. Accrued general leave days shall be considered sick leave days.

The District estimates how much of the leave is more than likely than not to be used as paid leave and recognizes as a liability for compensated absences.

Vested or accumulated leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the obligated governmental fund only if they have matured (e.g., unused reimbursable leave still outstanding following an employee's resignation or retirement). Amounts of vested or accumulated leave that are not expected to be liquidated with expendable available financial resources are reported in the governmental activities column in the government-wide financial statements.

7. Accrued Salaries

Salaries and benefits to teachers and certain other employees are paid over a 12-month period but are earned over a school year of approximately nine months. The salaries earned but unpaid at June 30 are reflected in the financial statements as an accrued liability.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

8. Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has two items, pension, and other post-employment benefits (“OPEB”) related deferred outflows, which qualify for reporting under this category on the Statement of Net Position.

Deferred inflows of resources represent an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. Unavailable revenue from property taxes and unavailable revenue from transportation revenue reimbursements, reported in the governmental balance sheet, are deferred and recognized as an inflow from resources in the period that the amounts become available. The other two items are the collective deferred inflows related to the District’s net pension and OPEB obligations are reported on the Statement of Net Position and are amortized over the average remaining service life of all active and inactive plan members.

See Note III.F and Note III.G below for discussion on pension and OPEB, respectively, related deferred outflows and inflows.

9. Long-term Debt

In the government-wide financial statements, long-term debt is reported as liabilities in the governmental activities statement of net position. Bonds payable are reported net of the applicable bond premium or discount and deferred refunding costs. Bond premiums, discounts, and deferred refunding costs are amortized over the life of the bonds based on interest payments.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

10. Pensions

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

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

11. Post-Employment Benefits

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

12. Fund Balance and Fund Classifications

Governmental accounting standards establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

The District classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Education. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Education or its management designee.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

12. Fund Balance and Fund Classifications (continued)

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

In March 2012 the District's Board of Education passed a resolution to maintain a fiscal year-end fund balance as an operating reserve in the General Fund of \$3,000,000. The Board resolved that the funds will be used only for an unexpected loss of revenue or an extraordinary expenditure. Expenditure of any of these funds requires prior Board approval. This amount is part of the General Fund's unassigned fund balance.

The permanently restricted net position of the Scholarship Trust Fund represents assets subject to donor imposed stipulations that they be maintained permanently by the District. Generally, the donors of such assets permit the District to use the income earned on the assets for scholarship awards.

In addition to the above note disclosure, GASB requires disclosure of the following fund definitions:

General Fund – The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term “proceeds of specific revenue sources” establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

Capital Projects Funds – Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

12. Fund Balance and Fund Classifications (continued)

Debt Service Funds – Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

13. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as “due from other funds” or “due to other funds” on the balance sheet when they are expected to be liquidated within one year. If the receivable or payable is not expected to be liquidated after one year, it is classified as “advances to other funds” or “advances from other funds”.

14. State Equalization Aid

State equalization aid is revenue received from the State of Colorado computed in accordance with a funding formula as defined by State statute. The funding formula considers such factors as pupil enrollment and other revenue sources.

15. Reclassification of Prior Year Amounts

Certain prior year amounts have been reclassified in order to conform to the current year presentation. These reclassifications were made to enhance comparability and consistency of financial reporting and presentation. The reclassifications had no effect on the previously reported total net position, changes in net position, or fund balances.

F. Significant Accounting Policies

1. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the District’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

2. Credit Risk

The receivables of the various funds of the District are primarily due from other governments. Management believes that the credit risk related to the receivables is minimal.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

II. Stewardship, Compliance, and Accountability

A. Bond Trustee

Colorado state statutes require all property taxes levied for the purpose of satisfying bonded indebtedness to be administered by at least one third party custodian designated by the District. The third-party custodian is required to ensure all taxes levied to satisfy the obligations of bonded indebtedness are used accordingly. The District has entered into a custody agreement with Montrose County, Colorado in order to meet this requirement.

B. Budgetary Information

Budgets are adopted on a basis consistent with GAAP. As required by Colorado Statutes, all funds have legally adopted budgets and appropriations. The total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased if unanticipated revenues offset them. All appropriations lapse at year-end.

As required by Colorado Statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for fiscal year 2025:

1. The proposed budget was submitted to the Board of Education by May 31 of the year preceding the budget year. The proposed budget must include a description of major educational objectives and how the proposed budget fulfills those objectives.
2. Notice was published within ten (10) days which contained: availability of proposed budget for inspection, date and time of budget adoption meeting, and that any County taxpayer may file objections prior to the adoption of the budget.
2. The Board of Education certified revenue requirements to the local County Commissioners prior to December 15.
4. The final budget was adopted prior to June 30, along with an appropriation resolution.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

II. Stewardship, Compliance, and Accountability (continued)

B. Budgetary Information (continued)

Supplemental appropriations for the primary government during 2025 resulted in budget amendments as follows:

<u>Fund</u>	<u>Original Appropriation</u>	<u>Final Appropriation</u>	<u>Change</u>
General Fund	\$ 90,993,846	\$ 91,235,809	\$ 241,963
Insurance Reserve Fund	1,857,056	1,920,920	63,864
Food Service Fund	4,492,864	4,617,464	124,600
Designated-Purpose Grant Fund	9,586,129	9,930,188	344,059
Pupil Activity Fund	3,577,479	3,572,496	(4,983)
Fee in lieu of Land Fund	1,038,509	1,029,454	(9,055)
Bond Redemption Fund	3,814,129	3,884,844	70,715
Capital Lease Fund	3,793,523	3,830,217	36,694
Building Fund	8,708,041	9,235,010	526,969
Capital Reserve Fund	3,906,993	3,835,307	(71,686)
Employee Medical Benefit Fund	11,133,646	10,751,033	(382,613)

Supplemental appropriations for the District's discretely presented component unit during 2025 resulted in budget amendments as follows:

<u>Fund</u>	<u>Original Appropriation</u>	<u>Final Appropriation</u>	<u>Change</u>
Vista Charter School	\$ 2,180,631	\$ 2,304,470	\$ 123,839

C. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

II. Stewardship, Compliance, and Accountability (continued)

C. TABOR Amendment (continued)

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending. The District has reserved \$2,351,000 of its June 30, 2025 fund balances for this purpose. The District's management believes it is in compliance with the financial provisions of TABOR. However, the TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

In November 1996, District voters approved a ballot question to exempt the District from the revenue and expenditure limits of the TABOR amendments.

III. Detailed Notes on All Funds

A. Cash and Investments

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible depositories. The PDPA specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance ("FDIC") on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value equal to at least 102 percent of the uninsured deposits.

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.

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MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

A. Cash and Investments (continued)

At June 30, 2025, the District had the following recurring fair value measurements:

<u>Investments by Fair Value Level</u>	<u>6/30/2025</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities:				
U.S. Agency bonds	\$ 773,323	\$ -	\$ 773,323	\$ -
Certificates of deposit	1,795,944	-	1,795,944	-
Mutual funds	30,786,234	30,786,234	-	-
Total Investments by Fair Value Level	\$ 33,355,501	\$ 30,786,234	\$ 2,569,267	\$ -
<u>Investments Measured at Net Asset Value</u>		<u>Total</u>		
Local government investment pool:				
COLOTRUST		\$ 9,805,376		

Interest Rate Risk. The District limits investments maturities as required by state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates. State statutes require the District to limit maturities to five years from the date of purchase. Maturities of investments held at June 30, 2025 are provided in the previous schedule. The District coordinates its investment maturities to closely match cash flow needs.

Custodial Risk. State law specify instruments in which local governments may invest, including obligations of the United States, certain U.S. governmental agency securities, local government investment pools, and commercial paper, among other items. The District's general investment policy is to invest surplus funds in accordance with state law, to ensure the preservation of capital, to ensure that adequate funds are available at all times to meet the financial obligations of the District when due, and to realize rates of return on invested funds which are comparable to market levels.

Concentration of Credit Risk. The District diversifies its investments by security type and institution. The District places no limit on the amount it may invest in any one issuer.

Local Government Investment Pool – At June 30, 2025, the District had invested \$9,805,376 in the Colorado Government Liquid Asset Trust (“COLOTRUST”), referred to as the Trust. The Trust is an investment vehicle established by State statute for local government entities in Colorado to pool surplus funds for investment purposes, and is registered with the State Securities Commissioner. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions of each pooled investment. The majority of securities owned by the Trust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify investments owned by the Trust. The Trust investments consist of U.S. Treasury and U.S. agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. agency securities. These investments are not categorized because the underlying securities cannot be determined. Of the investments held in the Trust at June 30, 2025, the District had invested in COLOTRUST PLUS+, which operates similarly to money market funds and each share is equal in value to \$1.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

A. Cash and Investments (continued)

At June 30, 2025, the District had an unrealized gain of \$20,266, which reflects changes in the fair value of its investments. The District's cash and investments at June 30, 2025 had the following maturities:

	Standard & Poors Rating	Carrying Amounts	Maturities	
			Less than One Year	Less than Five Years
Deposits:				
Petty cash	Not rated	\$ 2,817	\$ 2,817	\$ -
Checking	Not rated	3,753,177	3,753,177	-
Savings and money market	Not rated	70,252	70,252	-
Investments:				
Investment pools	AAAm	9,805,376	9,805,376	-
Certificates of deposit	Not rated	1,795,944	450,127	1,345,817
Mutual funds	Not rated	30,786,234	30,786,234	-
Cash with fiscal agent	AAAm	1,533,315	1,533,315	-
U.S. Agency bonds	AAA	773,323	-	773,323
Total		<u>\$ 48,520,438</u>	<u>\$ 46,401,298</u>	<u>\$ 2,119,140</u>

Reconciliation to Statement of Net Position:

Cash and investments - Governmental Activities	\$ 46,994,720
Fiduciary Funds	1,525,718
	<u>\$ 48,520,438</u>

At June 30, 2025, Vista Charter School held the following cash and investments:

Deposits	\$ 1,629,867
Investments	1,952,654
Total	<u>\$ 3,582,521</u>

Vista Charter School's investments consist of \$1,030,074 of negotiable certificates of deposit which are classified as level 2, and the remaining investments are invested in COLOTRUST.

B. Interfund and Component Unit Receivables, Payables, and Transfers

The composition of and component unit balances as of June 30, 2025 is as follows:

	Due from	Due to
General Fund	\$ 1,198,456	\$ -
Insurance Reserve Fund	-	(886,381)
Designated-Purpose Grant Fund	-	(312,075)
	<u>\$ 1,198,456</u>	<u>\$ (1,198,456)</u>

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

B. Interfund and Component Unit Receivables, Payables, and Transfers (continued)

Interfund and component unit balances at June 30, 2025 represent allocations of resources based upon Board of Education adopted budgetary policies or as a result of interfund services provided. These remaining balances resulted from the time lag between the dates that transactions are recorded in the accounting period, and payments between funds are made.

Interfund transfers during 2025 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 886,381	\$ (3,089,000)
Insurance Reserve Fund	1,000,000	(886,381)
Fee-in-lieu Fund	-	(100,000)
Capital Lease Fund	739,000	-
Building Fund	600,000	-
Capital Reserve Fund	850,000	-
	<u>\$ 4,075,381</u>	<u>\$ (4,075,381)</u>

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and, 3) provide additional resources for current operations or debt service. All District transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer.

During the year ended June 30, 2025, the District made the following significant one-time transfers:

1. A transfer of \$750,000 from the General and \$100,000 from the Fee In-Lieu of Land Funds to the Capital Reserve Fund for the acquisition and maintenance of sites, buildings, equipment, and vehicles.
2. A transfer of \$1,000,000 from the General Fund to the Insurance Reserve Fund for premiums relating to workers' compensation, property, auto, casualty, and liability insurance.
3. A transfer of \$600,000 from the General Fund to the Building Fund to support future construction projects and emergency repairs.
4. A transfer of \$739,000 from the General Fund to the Capital Lease Fund for debt principal and interest payments.
5. A transfer of \$886,381 from the Insurance Reserve Fund to the General Fund, to move the fund balance at June 30, 2025 to the General Fund.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

C. Receivables

Receivables as of year-end for the District's major and non-major funds, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Designated- Purpose Grant Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables:				
Taxes	\$ 1,213,096	\$ -	\$ 482,975	\$ 1,696,071
Other	21,068	-	101,431	122,499
Intergovernmental	484,357	1,787,176	390,527	2,662,060
Gross receivables	<u>1,718,521</u>	<u>1,787,176</u>	<u>974,933</u>	<u>4,480,630</u>
Less: allowance for uncollectible	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u><u>\$ 1,718,521</u></u>	<u><u>\$ 1,787,176</u></u>	<u><u>\$ 974,933</u></u>	<u><u>\$ 4,480,630</u></u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

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MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

D. Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

Primary Government:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,538,075	\$ 406,186	\$ -	\$ 1,944,261
Construction in progress	4,398,957	1,021,551	(4,081,069)	1,339,439
Total capital assets not depreciated	<u>5,937,032</u>	<u>1,427,737</u>	<u>(4,081,069)</u>	<u>3,283,700</u>
Capital assets being depreciated:				
Improvements	32,898,083	6,029,189	-	38,927,272
Buildings	92,756,000	-	-	92,756,000
Equipment	13,216,232	1,652,771	(114,932)	14,754,071
Total capital assets being depreciated	<u>138,870,315</u>	<u>7,681,960</u>	<u>(114,932)</u>	<u>146,437,343</u>
Less accumulated depreciation:				
Improvements	(9,312,906)	(1,832,548)	-	(11,145,454)
Buildings	(43,950,705)	(2,041,096)	-	(45,991,801)
Equipment	(9,769,686)	(1,203,459)	114,932	(10,858,213)
Total accumulated depreciation	<u>(63,033,297)</u>	<u>(5,077,103)</u>	<u>114,932</u>	<u>(67,995,468)</u>
Total capital assets, being depreciated, net	<u>75,837,018</u>	<u>2,604,857</u>	<u>-</u>	<u>78,441,875</u>
Governmental Activities - Capital Assets, Net	<u><u>\$ 81,774,050</u></u>	<u><u>\$ 4,032,594</u></u>	<u><u>\$ (4,081,069)</u></u>	<u><u>\$ 81,725,575</u></u>

Depreciation expenses was charged to functions/programs of the primary government as follows:

Governmental activities:	<u>Capital Outlay</u>	<u>Depreciation</u>
Direct instruction	\$ 4,609,650	\$ 4,649,848
Supporting services:		
Students	-	74,620
General administration	-	66,896
School administration	-	8,227
Business	289,847	52,726
Operations and maintenance	222,155	198,467
Food Services	47,529	26,319
Total - Governmental Activities	<u><u>\$ 5,169,181</u></u>	<u><u>\$ 5,077,103</u></u>

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

D. Capital Assets (continued)

Discretely presented component unit:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Vista Charter School:				
Capital assets, not being depreciated:				
Land	\$ 595,320	\$ -	\$ -	\$ 595,320
Total capital assets not depreciated	<u>595,320</u>	<u>-</u>	<u>-</u>	<u>595,320</u>
Capital assets being depreciated:				
Buildings and improvements	5,208,038	-	-	5,208,038
Equipment	234,302	-	-	234,302
Total capital assets being depreciated	<u>5,442,340</u>	<u>-</u>	<u>-</u>	<u>5,442,340</u>
Less accumulated depreciation:				
Buildings and improvements	(1,505,563)	(131,028)	-	(1,636,591)
Equipment	(118,247)	(11,903)	-	(130,150)
Total accumulated depreciation	<u>(1,623,810)</u>	<u>(142,931)</u>	<u>-</u>	<u>(1,766,741)</u>
Total capital assets, being depreciated, net	<u>3,818,530</u>	<u>(142,931)</u>	<u>-</u>	<u>3,675,599</u>
Capital Assets, Net - Vista Charter School	<u><u>\$ 4,413,850</u></u>	<u><u>\$ (142,931)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,270,919</u></u>

E. Long-term Debt

1. General Obligation Bonds, Series 2017

On January 24, 2017 the District issued general obligation bonds, Series 2017, with a par value of \$20,775,000 and a premium of \$3,397,906. These bonds were issued to construct, repair, and improve District capital assets. The bonds carry a variable interest rate ranging from 2.00% to 5.00% and mature on December 1, 2036. Principal and interest payments are made semiannually in June and December. The District has an underlying rating by Moody's of "Aa3" for the 2017 bonds.

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

E. Long-term Debt (continued)

2. Annual Debt Service Requirements – General Obligations Bonds

Debt service requirements to maturity for general obligation bonds associated with the District’s governmental activities are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 1,090,000	\$ 840,000	\$ 1,930,000
2027	1,145,000	784,125	1,929,125
2028	1,200,000	725,500	1,925,500
2029	1,260,000	664,000	1,924,000
2030	1,325,000	599,375	1,924,375
2031-2035	7,685,000	1,908,125	9,593,125
2036-2037	3,640,000	184,250	3,824,250
Totals	\$ 17,345,000	\$ 5,705,375	\$ 23,050,375

3. Notes Payable

On December 11, 2012 the District entered into a lease-purchase agreement with All American Investment Group, LLC, with the purpose of performing energy-efficiency upgrades to electrical, mechanical, plumbing, and other selected systems in certain buildings and properties throughout the District. The lease purchase agreement has been designated as a “Qualified Tax-Exempt Obligation” for the purpose and within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. The total original principal amount of the contract was \$3,375,505, with a contract interest rate of 2.40% per annum. Payments, which include both principal and interest, occur at six-month intervals. Payments during fiscal year 2025 totaled \$296,464. Of that total, \$273,535 was principal, and \$22,929 was interest.

Principal and interest payments on the District’s lease purchase agreement to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 288,340	\$ 16,276	\$ 304,616
2027	303,728	9,265	312,993
2028	156,739	1,881	158,620
Totals	\$ 748,807	\$ 27,422	\$ 776,229

4. Debt Compliance

The District is compliant in ongoing disclosure requirements to the secondary bond market in accordance with the Securities and Exchange Commission’s Rule 15c2-12.

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

E. Long-term Debt (continued)

5. Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2025:

	<u>July 1, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2025</u>	<u>Due Within One Year</u>
Governmental activities:					
General Obligation Bonds:					
Refunding Bonds, Series 2017	\$ 18,385,000	\$ -	\$ (1,040,000)	\$ 17,345,000	\$ 1,090,00
Notes payable	1,022,342	-	(273,535)	748,807	288,34
Unamortized premium	1,008,093	-	(155,348)	852,745	
Accrued compensated absences	2,026,044	477,162	-	2,503,206	400,51
Net pension liability	103,711,658	-	(6,837,541)	96,874,117	
Net OPEB liability	2,504,224	-	(785,405)	1,718,819	
Total Governmental Activities	<u>\$ 128,657,361</u>	<u>\$ 477,162</u>	<u>\$ (9,091,829)</u>	<u>\$ 120,042,694</u>	<u>\$ 1,778,85</u>

*The change in accrued compensated absences is presented as a net change.

The general obligation bonds are paid from the Bond Redemption Fund, and the note payable is paid from the Capital Lease Fund.

The compensated absences liability will be paid from the following funds from which employees' salaries are paid: General Fund, Designated-Purpose Grant Fund, and the Food Service Fund.

F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

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

Benefits provided as of December 31, 2024. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Benefits provided as of December 31, 2024 (continued)

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

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

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools ("DPS") benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision ("AAP") under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase ("AI") or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve ("AIR") for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Benefits provided as of December 31, 2024 (continued)

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

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

Contributions provisions as of June 30, 2025. Eligible employees of the District and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 11.00% of their PERA-includable salary during the period of July 1, 2024 through June 30, 2025. Employer contribution requirements are summarized in the table below:

	July 1, 2024 through June 30, 2025
Employer contribution rate	11.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)
Amount apportioned to the SCHDTF	10.38%
Amortization equalization disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	20.38%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$9,326,425 for the year ended June 30, 2025.

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Contributions provisions as of June 30, 2025 (continued):

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute a \$225 million direct distribution each year to PERA starting on July 1, 2018. For 2024, a portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund.

Pension Liabilities. The net pension liability for the SCHDTF was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll-forward the total pension liability to December 31, 2024. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2024 relative to the total contributions of participating employers and the State as a non-employer contributing entity.

At June 30, 2025, the District reported a liability of \$96,874,117 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

The District's proportionate share of the net pension liability	\$ 96,874,117
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	7,983,765
Total	\$ 104,857,882

At December 31, 2024, the District proportion was 0.5614%, which was a decrease of 0.0251% from its proportion of 0.5865% measured as of December 31, 2023.

For the year ended June 30, 2025, the District recognized pension expense of \$9,425,941 and revenue of \$917,572 for support from the State as a nonemployer contributing entity.

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Contributions provisions as of June 30, 2025 (continued):

Deferred Outflows of Resources and Deferred Inflows of Resources: At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,485,836	\$ -
Changes of assumptions or other inputs	726,277	-
Net difference between projected and actual earnings on pension plan investments	1,827,745	-
Changes in proportionate share of contributions	7,289,149	3,996,480
Contributions subsequent to the measurement date	4,776,107	-
Total	\$ 20,105,114	\$ 3,996,480

\$4,776,113 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date of December 31, 2024, will be recognized as a reduction of the net pension liability in the year ended June 30, 2026 measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	\$ 8,286,528
2027	7,486,798
2028	(3,137,257)
2029	(1,303,542)
Total	\$ 11,332,527

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Actuarial assumptions. The December 31, 2023, actuarial valuation used the following actuarial cost method and key actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	3.40% - 11.00%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.00%
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

All mortality assumptions are developed on a benefit-weighted basis and apply generational mortality. Note that in all categories, displayed as follows, the mortality tables are generationally projected using scale MP-2019.

	Mortality Table	Adjustments, As Applicable
Pre-Retirement	PubT-2010 Employee	N/A
Post-Retirement (Retiree), Non-Disabled	PubT-2010 Healthy Retiree	Males: 112% of the rates prior to age 80/94% of the rates age 80 and older Females: 83% of the rates prior to age 80/106% of the rates age 80 and older
Post-Retirement (Beneficiary), Non-Disabled	Pub-2010 Contingent Survivor	Males: 97% of the rates for all ages. Females: 105% of the rates for all ages.
Disabled	PubNS-2010 Disabled Retiree	99% of the rates for all ages

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Actuarial assumptions (continued)

The actuarial assumptions used in the December 31, 2023, valuation were based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by the PERA Board on November 20, 2020.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, to December 31, 2023, revised actuarial assumptions were adopted by PERA's Board on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll forward calculation of the total pension liability from December 31, 2023, to December 31, 2024.

Salary increases, including wage inflation: 4.00%-13.40%

Salary scale assumptions were altered to better reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

The estimated administrative expense as a percentage of covered payroll was increased from 0.40% to 0.45%.

The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on the experience. All mortality assumptions are developed on a benefit-weighted basis. Note that in all categories, displayed as follows, the mortality tables are generationally projected using the 2024 adjusted MP-2021 projection scale.

	Mortality Table	Adjustments, As Applicable
Pre-Retirement	PubT-2010 Employee	N/A
Post-Retirement (Retiree), Non-Disabled	PubT-2010 Healthy Retiree	Males: 106% of the rates for all ages Females: 86% of the rates prior to age 85/115% of the rates age 85 and older
Post-Retirement (Beneficiary), Non-Disabled	Pub-2010 Contingent Survivor	Males: 92% of the rates for all ages. Females: 100% of the rates for all ages.
Disabled	PubNS-2010 Disabled Retiree	95% of the rates for all ages

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Actuarial assumptions (continued)

The long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

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

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the November 15, 2019, meeting, and again at the Board's September 20, 2024, meeting. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	51.00%	5.00%
Fixed Income	23.00%	2.60%
Private Equity	10.00%	7.60%
Real Estate	10.00%	4.10%
Alternatives	6.00%	5.20%
Total	100.00%	

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Discount rate (continued)

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 131,338,851	\$ 96,874,117	\$ 68,005,085

Pension plan fiduciary net position. Detailed information about the SCHDTF's fiduciary net position is available in PERA's annual comprehensive financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources

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

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

Benefits provided (continued)

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

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

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

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

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

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

Benefits provided (continued)

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$466,742 for the year ended June 30, 2025.

Liabilities. At June 30, 2025, the District reported a liability of \$1,718,819 for its proportionate share of net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2024. The District proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2024 relative to the total contributions of participating employers to the HCTF.

At December 31, 2024, the District proportion was 0.3595%, which was an increase of 0.0086% from its proportion of 0.3509% measured as of December 31, 2023.

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: For the year ended June 30, 2025, the District recognized OPEB expense of \$30,401. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 379,137
Change of assumptions or other inputs	19,709	549,420
Net difference between projected and actual earnings on plan investments	5,827	-
Changes in proportionate share of contributions	515,313	42,072
Contributions subsequent to measurement date	239,040	-
	\$ 779,889	\$ 970,629

\$239,040 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	Amortization
2026	\$ (56,317)
2027	51,545
2028	(174,034)
2029	(126,934)
2030	(82,063)
Thereafter	(41,977)
Total	\$ (429,780)

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

Actuarial assumptions. The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40% - 11.00%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	16.00% in 2024, then 6.75% in 2025, gradually decreasing to 4.5% in 2034
MAPD PPO #2	105.00% in 2024, then 8.55% in 2025, gradually decreasing to 4.5% in 2034
Medicare Part A premiums	3.50% in 2024, gradually increasing to 4.50% in 2033
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

As of the December 31, 2024, measurement date, the FNP and related disclosure components for the HCTF reflect additional payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the HCTF and Local Government Division Trust Fund were \$0.020 million and \$0.486 million, respectively.

Each year the per capita health care costs are developed by plan option. As of the December 31, 2023, actuarial valuation, costs are based on 2024 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors were then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

Actuarial assumptions (continued)

Age-Related Morbidity Assumptions		
Participant Age	Annual Increase (Male)	Annual Increase (Female)
65-68	2.2%	2.3%
69	2.8%	2.2%
70	2.7%	1.6%
71	3.1%	0.5%
72	2.3%	0.7%
73	1.2%	0.8%
74	0.9%	1.5%
75-85	0.9%	1.3%
86 and older	0.0%	0.0%

Sample Age	MAPD PPO #1 with Medicare Part A Retiree/Spouse		MAPD PPO #2 with Medicare Part A Retiree/Spouse		MAPD HMO (Kaiser) with Medicare Part A Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$ 1,710	\$ 1,420	\$ 585	\$ 486	\$ 1,897	\$ 1,575
70	1,921	1,589	657	544	2,130	1,763
75	2,122	1,670	726	571	2,353	1,853

Sample Age	MAPD PPO #1 without Medicare Part A Retiree/Spouse		MAPD PPO #2 without Medicare Part A Retiree/Spouse		MAPD HMO (Kaiser) without Medicare Part A Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$ 6,536	\$ 5,429	\$ 4,241	\$ 3,523	\$ 7,063	\$ 5,866
70	7,341	6,073	4,764	3,941	7,933	6,563
75	8,110	6,385	5,262	4,143	8,763	6,900

The 2024 Medicare Part A premium is \$505 per month.

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

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

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

Actuarial assumptions (continued)

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models, and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. PERACare Medicare plan rates are applied where members have no premium-free Part A and where those premiums are already exceeding the maximum subsidy. MAPD PPO #2 has a separate trend because the first year rates are still below the maximum subsidy and to reflect the estimated impact of the Inflation Reduction Act for that plan option.

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

Year	PERACare Medicare Plans¹	MAPD PPO #21	Medicare Part A Premiums
2024	16.00%	105.00%	3.50%
2025	6.75%	8.55%	3.75%
2026	6.50%	8.10%	3.75%
2027	6.25%	7.65%	4.00%
2028	6.00%	7.20%	4.00%
2029	5.75%	6.75%	4.25%
2030	5.50%	6.30%	4.25%
2031	5.25%	5.85%	4.25%
2032	5.00%	5.40%	4.25%
2033	4.75%	4.95%	4.50%
2034+	4.50%	4.50%	4.50%

¹Increase in 2024 trend rates due to the effect of the Inflation Reduction Act.

Mortality assumptions used in the December 31, 2023, valuation for the Division Trust Funds as shown in the following table, reflect generational mortality and were applied, as applicable, in the December 31, 2023, valuation for the HCTF, but developed using a headcount-weighted basis. Note that in all categories, displayed as follows, the mortality tables are generationally projected using scale MP-2019. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

Actuarial assumptions (continued)

Pre-Retirement	Mortality Table	Adjustments, As Applicable
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Employee	N/A
Safety Officers	PubS-2010 Employee	N/A
School Division	PubT-2010 Employee	N/A
Judicial Division	PubG-2010(A) Above-Median Employee	N/A
Post-Retirement (Retiree), Non-Disabled	Mortality Table	Adjustments, As Applicable
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Employee	Males: 94% of the rates prior to age 80/90% of the rates 80 and older Females: 87% of the rates prior to age 85/107% of the rates age 80 and older
Safety Officers	PubS-2010 Employee	N/A
School Division	PubT-2010 Employee	Males: 112% of the rates prior to age 80/94% of the rates 80 and older Females: 83% of the rates prior to age 85/106% of the rates age 80 and older
Judicial Division	PubG-2010(A) Above-Median Healthy Retiree	N/A

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

Actuarial assumptions (continued)

Post-Retirement (Beneficiary), Non-Disabled	Mortality Table	Adjustments, As Applicable
All Beneficiaries	Pub-2010 Contingent Survivor	Males: 97% of the rates for all ages Females: 105% of the rates for all ages
Disabled	Mortality Table	Adjustments, As Applicable
Members other than Safety Officers	PubNS-2010 Disabled Retiree	99% of the rates for all ages
Safety Officers	PubS-2010 Disabled Retiree	N/A

The following health care costs assumptions were updated and used in the roll-forward calculation for the HCTF:

- Per capita health care costs in effect as of the December 31, 2023, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits were updated to reflect costs for the 2024 plan year.
- The health care cost trend rates applicable to health care premiums were revised to reflect the current expectation of future increases in those premiums. A separate trend rate assumption set was added for MAPD PPO #2 as the first-year rate is still below the maximum subsidy and also the assumption set reflects the estimated impact of the Inflation Reduction Act for that plan option.
- The Medicare health care plan election rate assumptions were updated effective as of the December 31, 2023, valuation date based on an experience analysis of recent data.

The actuarial assumptions used in the December 31, 2023, valuations were based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, to December 31, 2023, revised actuarial assumptions were adopted by PERA's Board on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll forward calculation of the total OPEB liability from December 31, 2023, to December 31, 2024.

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

Actuarial assumptions (continued)

	<u>State Division</u>	<u>School Division</u>	<u>Local Government Division</u>	<u>Judicial Division</u>
Salary increases, including wage inflation:				
Members other than Safety Officers	2.70%-13.30%	4.00%-13.40%	3.40%-13.00%	2.30%-4.70%
Safety Officers	3.20% 16.30%	N/A	3.20% 16.30%	N/A

- Salary scale assumptions were altered to better reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- Participation rates were reduced.
- MAPD premium costs are no longer age graded.

<u>Plan</u>	<u>With Medicare Part A</u>	<u>Without Medicare Part A</u>
MAPD PPO #1	\$ 1,824	\$ 6,972
MAPD PPO #2	624	4,524
MAPD HMO (Kaiser)	2,040	7,596

The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on the experience. Note that in all categories, the mortality tables are generationally projected using the 2024 adjusted MP-2021 project scale. These assumptions updated for the Division Trust Funds, were also applied in the roll forward calculations for the HCTF using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

<u>Pre-Retirement</u>	<u>Mortality Table</u>	<u>Adjustments, As Applicable</u>
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Employee	N/A
Safety Officers	PubS-2010 Employee	N/A
School Division	PubT-2010 Employee	N/A
Judicial Division	PubG-2010(A) Above-Median Employee	N/A

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

Actuarial assumptions (continued)

Post-Retirement (Retiree), Non-Disabled	Mortality Table	Adjustments, As Applicable
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Employee	Males: 94% of the rates prior to age 80/90% of the rates 80 and older Females: 87% of the rates prior to age 85/107% of the rates age 80 and older
Safety Officers	PubS-2010 Employee	N/A
School Division	PubT-2010 Employee	Males: 112% of the rates prior to age 80/94% of the rates 80 and older Females: 83% of the rates prior to age 85/106% of the rates age 80 and older
Judicial Division	PubG-2010(A) Above-Median Healthy Retiree	N/A
Post-Retirement (Beneficiary), Non-Disabled	Mortality Table	Adjustments, As Applicable
All Beneficiaries	Pub-2010 Contingent Survivor	Males: 97% of the rates for all ages Females: 105% of the rates for all ages
Disabled	Mortality Table	Adjustments, As Applicable
Members other than Safety Officers	PubNS-2010 Disabled Retiree	99% of the rates for all ages
Safety Officers	PubS-2010 Disabled Retiree	N/A

The actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed annually and updated, as appropriate, by the PERA Board's actuary.

The long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

Actuarial assumptions (continued)

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

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the November 15, 2019, meeting, and again at the Board's September 20, 2024, meeting. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	51.00%	5.00%
Fixed Income	23.00%	2.60%
Private Equity	10.00%	7.60%
Real Estate	10.00%	4.10%
Alternatives	6.00%	5.20%
Total	100.00%	

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

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

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

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Initial PERA Care Medicare trend rate ¹	5.75%	6.75%	7.75%
Ultimate PERA Care Medicare trend rate	3.50%	4.50%	5.50%
Initial MAPD PPO#2 trend rate ¹	7.55%	8.55%	9.55%
Ultimate MAPD PPO#2 trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate ¹	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 1,672,510	\$ 1,718,819	\$ 1,771,229

¹For the January 1, 2025, plan year.

Discount rate. The discount rate used to measure the total OPEB liability was 7.25%. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2023, and the financial status of the HCTF as of the current measurement date (December 31, 2024). In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2024, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

Discount rate (continued)

- As of the December 31, 2024, measurement date, the FNP and related disclosure components for the HCTF reflect additional payments related to the disaffiliation of Tri-County Health as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the HCTF and Local Government Division Trust Fund were \$0.020 million and \$0.486 million, respectively.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 2,106,439	1,718,819	1,384,644

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

IV. Other Information

A. Defined Contribution Pension Plan

Plan Description. Employees of the District that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available Annual Report which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

IV. Other Information (continued)

A. Defined Contribution Pension Plan (continued)

Funding Policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. There were no 401(k) Plan member contributions from the District for the year ended June 30, 2025.

B. Risk Management

The District is exposed to various risks of loss related to workers compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and error and omissions. The District carries commercial coverage for these risks and claims and does not expect claims to exceed their coverage. For the last three years, settled claims have not exceeded commercial insurance coverage, nor has there been any reduction in insurance coverage.

The General Fund pays the District's annual casualty and property premiums, as well as all deductibles resulting from claims. A transfer from the General Fund provides the primary source of revenues for this fund.

C. Health Insurance

The District has established two health insurance plans to provide medical benefits to eligible employees. Both plans are self-funded, and the potential claims liability is determined annually based on previous year actual expenditures. The District is responsible for the payment of these premiums as well as the claims submitted for payment to the self-funded plans. A third party stop-loss provider has been contracted to provide coverage of any claims against the self-funded plan in excess of \$250,000 individually, or \$8,387,296 in the aggregate.

The Employee Medical Benefit Internal Service Fund has been established to account for the health insurance plans provided by the District to its employees. The premiums charged are allocated to the District funds that employ those covered by the health insurance plans. Settlements have not exceeded coverages for each of the past three fiscal years.

Incurred but not reported claims are recorded as a liability of the Employee Medical Benefit Internal Service Fund. At June 30, 2025 these claims were estimated by the administrator at \$1,529,024.

	Year ended 6/30/25	Year ended 6/30/24
Unpaid claims, beginning	\$ 1,588,316	\$ 485,540
Incurred claims, including IBNRs	7,241,121	6,658,410
Claims paid	(7,300,413)	(5,555,634)
Unpaid claims, ending	\$ 1,529,024	\$ 1,588,316

Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

IV. Other Information (continued)

D. Pupil Counts

Pupil Counts. Each year the District submits data regarding pupil counts to the Colorado Department of Education ("CDE"). The purpose of this data collection is to obtain required student level data as provided for by state statute (s), including information regarding students' funding eligibility as outlined in the Public School Finance Act of 1994(22-54-101, C.R.S.).

The Student October Count is based on a one (1) day membership count in which districts are asked to report all students who are actively enrolled and attending classes through their district on that date. In an effort to ensure accurate reporting of those data fields associated with student funding, CDE conducts periodic compliance audits of each district's student October count data. This data not only determine per pupil funding, but also at risk and English Language Proficiency Act funding. CDE audits districts every one to four years, the frequency of which is determined by a number of factors including, but not limited to, the size and location of the district, as well as issues or concerns that might have arisen from prior audits.

The District believes its pupil count information is accurate and any adjustment would not be material.

E. Claims and Contingencies

1. Legal Claims

During the normal course of business, the District incurs claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at June 30, 2025.

2. Federal Programs

Funds received from Federal grants are subject to audit and disallowance of ineligible cost. Management of the District feels any potential questioned or disallowed costs or liability arising from the Federal program audits would not materially affect the fairness of the presentation of the financial statements at June 30, 2025.

3. State Programs

The District receives payment for State equalization, State transportation and various other State revenues to fund programs. These grants and programs are subject to audit and may result in the District either refunding amounts due for overpayment or receiving additional revenue for underpayment by the State. These adjustments can be material. The amount of these adjustments cannot be estimated or determined as of the date of these financial statements.

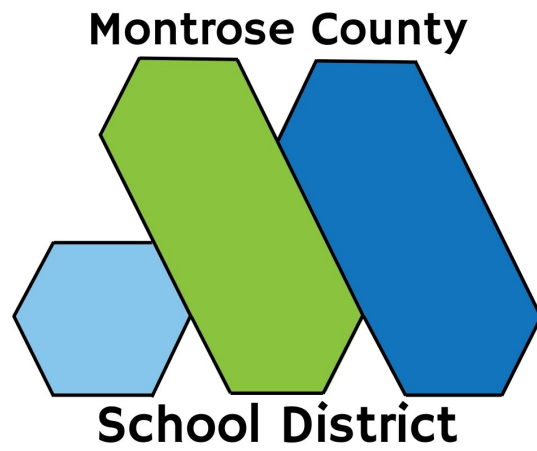
Montrose County School District RE-1J
Notes to the Financial Statements
June 30, 2025
(Continued)

IV. Other Information (continued)

F. Implementation of Accounting Standard

Effective July 1, 2024, the District implemented GASB Statement No. 101, Compensated Absences (“GASB 101”), which requires that the District recognize a liability for all forms of compensated absences, including those not paid upon an employee’s separation from service, such as sick leave. Under GASB 101, the compensated absence liability is estimated based on historical data about the accumulation and forfeiture of leave balances, rather than solely on termination payouts. The implementation of GASB 101 was applied retroactively, but the adoption of this standard resulted in no change or restatement to the District’s net position for governmental activities.

Required Supplementary Information



MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund (Including Insurance Reserve Sub-Fund)
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for 2024)

	<u>2025</u>			<u>Final Budget</u>	<u>2024</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>	<u>Amounts</u>	<u>Positive</u>	<u>Amounts</u>
				<u>(Negative)</u>	
Revenues:					
Local sources:					
Property taxes levied for general purposes	\$ 23,948,352	\$ 21,737,605	\$ 21,986,019	\$ 248,414	\$ 20,010,288
Specific ownership taxes	2,600,000	2,625,339	3,048,789	423,450	2,879,164
Delinquent taxes and penalties and interest	25,000	40,000	74,757	34,757	39,351
Investment income (loss)	1,000,000	1,200,000	1,471,141	271,141	1,555,113
Other	200,950	452,030	552,803	100,773	274,954
Intermediate sources	5,000	5,000	97,371	92,371	220,719
State sources:					
Equalization	40,135,236	41,442,662	41,442,662	-	38,383,806
Other	5,341,290	5,753,192	5,916,044	162,852	5,547,941
Federal sources	670,000	670,000	897,636	227,636	691,174
Total Revenues	<u>73,925,828</u>	<u>73,925,828</u>	<u>75,487,222</u>	<u>1,561,394</u>	<u>69,602,510</u>
Expenditures:					
Direct instruction	41,271,545	41,713,643	41,468,431	245,212	35,092,588
Supporting services:					
Students	5,400,437	4,991,319	4,822,365	168,954	4,370,091
Instructional staff	3,741,126	3,521,727	3,419,159	102,568	3,202,312
General administration	1,349,989	1,174,989	1,128,625	46,364	1,020,100
School administration	5,110,221	5,100,306	4,939,984	160,322	4,313,458
Business	1,265,915	1,265,915	1,099,962	165,953	1,132,573
Central	2,167,374	2,240,734	2,375,366	(134,632)	1,951,742
Other	2,500	2,500	1,168	1,332	4,554
Operations and maintenance	7,721,995	7,683,345	7,480,514	202,831	6,835,924
Transportation	2,209,497	1,744,497	1,766,738	(22,241)	2,013,067
Food service	-	-	8,163	(8,163)	-
Contingency	17,170,113	17,475,939	-	17,475,939	-
Capital outlay	353,190	1,180,689	1,483,689	(303,000)	2,464,082
Total Expenditures	<u>87,763,902</u>	<u>88,095,603</u>	<u>69,994,164</u>	<u>18,101,439</u>	<u>62,400,491</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>(13,838,074)</u>	<u>(14,169,775)</u>	<u>5,493,058</u>	<u>19,662,833</u>	<u>7,202,019</u>
Other Financing Sources (Uses):					
Charter school allocation	(1,998,000)	(1,972,126)	(1,982,226)	(10,100)	(1,839,464)
Transfers in	1,000,000	1,000,000	1,886,381	(886,381)	1,000,000
Transfers (out)	(3,089,000)	(3,089,000)	(3,975,381)	(886,381)	(5,589,000)
Total Other Financing Sources (Uses)	<u>(4,087,000)</u>	<u>(4,061,126)</u>	<u>(4,071,226)</u>	<u>(1,782,862)</u>	<u>(6,428,464)</u>
Net Change in Fund Balance	<u>(17,925,074)</u>	<u>(18,230,901)</u>	<u>1,421,832</u>	<u>17,879,971</u>	<u>773,555</u>
Fund Balance - Beginning of Year	<u>17,925,074</u>	<u>18,230,901</u>	<u>18,230,901</u>	<u>-</u>	<u>17,457,346</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,652,733</u>	<u>\$ 17,879,971</u>	<u>\$ 18,230,901</u>

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Designated-Purpose Grant Fund
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for 2024)

	2025			Final Budget Variance Positive (Negative)	2024
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
Revenues:					
Local sources	\$ 264,993	\$ 368,386	\$ 320,183	\$ (48,203)	\$ 372,472
State sources	1,650,708	2,321,785	2,089,006	(232,779)	1,493,774
Federal sources	7,670,428	7,240,017	7,145,687	(94,330)	9,850,550
Total Revenues	9,586,129	9,930,188	9,554,876	(375,312)	11,716,796
Expenditures:					
Direct instruction	3,553,316	3,602,421	3,858,239	(255,818)	4,139,767
Supporting services:					
Students	1,565,389	1,966,479	1,697,317	269,162	1,850,893
Instructional staff	2,442,809	2,918,031	2,716,765	201,266	2,552,472
General administration	-	310	85,609	(85,299)	222,160
School administration	45,107	65,263	91,127	(25,864)	408,613
Business	19,021	20,773	77,381	(56,608)	25,461
Central	55,836	55,836	66,488	(10,652)	259,773
Other	-	-	17,693	(17,693)	-
Operations and maintenance	5,000	5,000	165	4,835	2,120
Transportation	-	-	5,123	(5,123)	14,993
Community services	141,007	154,913	108,161	46,752	230,621
Capital outlay	1,758,644	1,141,162	830,808	310,354	2,009,923
Total Expenditures	9,586,129	9,930,188	9,554,876	375,312	11,716,796
Net Change in Fund Balance	-	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Schedule of the District's Proportionate Share of the Net Pension Liability
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years

For the measurement date of December 31,	2024	2023	2022	2021	2020
District's proportion of the net pension liability	0.56143%	0.58649%	0.46696%	0.53512%	0.62642%
District's proportionate share of the net pension liability	\$ 96,874,117	\$ 103,711,658	\$ 85,031,101	\$ 62,274,122	\$ 94,702,580
State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	\$ 7,983,765	\$ 2,225,295	\$ 19,187,490	\$ 6,404,714	\$ -
Total proportionate share of the net pension liability associated with the District	<u>\$ 104,857,882</u>	<u>\$ 105,936,953</u>	<u>\$ 104,218,591</u>	<u>\$ 68,678,836</u>	<u>\$ 94,702,580</u>
District's covered payroll	\$ 43,384,215	\$ 38,772,397	\$ 36,487,830	\$ 34,635,143	\$ 32,751,721
District's proportionate share of the net pension liability as a percentage of its covered payroll	223%	267%	233%	180%	289%
Plan fiduciary net position as a percentage of the total pension liability	67.17%	64.74%	61.79%	74.86%	66.99%
For the measurement date of December 31,	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.54912%	0.54481%	0.61629%	0.62836%	0.66306%
District's proportionate share of the net pension liability	\$ 82,036,914	\$ 96,470,418	\$ 199,286,005	\$ 187,086,389	\$ 101,409,279
State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	\$ 9,234,110	\$ 11,604,267	\$ -	\$ -	\$ -
Total proportionate share of the net pension liability associated with the District	<u>\$ 91,271,024</u>	<u>\$ 108,074,685</u>	<u>\$ 199,286,005</u>	<u>\$ 187,086,389</u>	<u>\$ 101,409,279</u>
District's covered payroll	\$ 33,374,525	\$ 29,539,135	\$ 28,486,266	\$ 27,643,098	\$ 28,895,561
District's proportionate share of the net pension liability as a percentage of its covered payroll	246%	327%	700%	677%	351%
Plan fiduciary net position as a percentage of the total pension liability	64.52%	57.01%	43.96%	43.10%	59.20%

Refer to the accompanying notes to the RSI.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Schedule of District Pension Contributions
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years

Fiscal year-ended June 30,	2025	2024	2023	2022	2021
Contractually required contribution	\$ 9,326,425	\$ 8,327,255	\$ 7,612,140	\$ 6,911,792	\$ 6,587,082
Contributions in relation to the contractually required contribution	<u>\$ (9,326,425)</u>	<u>\$ (8,327,255)</u>	<u>\$ (7,612,140)</u>	<u>\$ (6,911,792)</u>	<u>\$ (6,587,082)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 45,758,971	\$ 40,859,906	\$ 37,348,354	\$ 33,444,064	\$ 31,773,927
Contributions as a percentage of covered payroll	20.38%	20.38%	20.38%	20.67%	20.73%
Fiscal year-ended June 30,	2020	2019	2018	2017	2016
Contractually required contribution	\$ 6,119,682	\$ 6,119,777	\$ 5,785,174	\$ 5,298,573	\$ 5,144,580
Contributions in relation to the contractually required contribution	<u>\$ (6,119,682)</u>	<u>\$ (6,119,777)</u>	<u>\$ (5,785,174)</u>	<u>\$ (5,298,573)</u>	<u>\$ (5,144,580)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 34,205,831	\$ 30,684,706	\$ 29,062,972	\$ 28,177,402	\$ 29,012,232
Contributions as a percentage of covered payroll	17.89%	19.94%	19.91%	18.80%	17.73%

Refer to the accompanying notes to the RSI.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Schedule of the District's Proportionate Share of the Net Other Post-Employment Benefits Liability
Colorado Public Employees' Retirement Association Health Care Trust Fund
Last 10 Fiscal Years *

For the measurement date of December 31,	2024	2023	2022	2021	2020
District's proportion of the net OPEB liability	0.35946%	0.35087%	0.35499%	0.34941%	0.36227%
District's proportionate share of the net OPEB liability	\$ 1,718,819	\$ 2,504,224	\$ 2,898,390	\$ 3,012,933	\$ 3,442,267
District's covered payroll	\$ 43,384,215	\$ 38,772,397	\$ 36,487,830	\$ 34,635,143	\$ 32,751,721
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	3.96%	6.46%	7.94%	8.70%	10.51%
Plan fiduciary net position as a percentage of the total OPEB liability	59.83%	46.16%	38.57%	39.40%	32.78%
For the measurement date of December 31,	2019	2018	2017	2016	
District's proportion of the net OPEB liability	35.88700%	0.35413%	0.35017%	0.35717%	
District's proportionate share of the net OPEB liability	\$ 4,003,733	\$ 4,818,052	\$ 4,550,839	\$ 4,603,451	
District's covered payroll	\$ 33,374,525	\$ 29,539,135	\$ 28,486,266	\$ 27,643,098	
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	12.00%	16.31%	15.98%	16.65%	
Plan fiduciary net position as a percentage of the total OPEB liability	24.49%	17.03%	17.53%	16.72%	

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within fiscal year. Information is only available beginning in fiscal year 2017.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Schedule of District Other Post-Employment Benefits Contributions
Colorado Public Employees' Retirement Association Health Care Trust Fund
Last 10 Fiscal Years *

Fiscal year-ended June 30,	2025	2024	2023	2022	2021
Contractually required contribution	\$ 466,742	\$ 416,771	\$ 380,953	\$ 344,844	\$ 324,082
Contributions in relation to the contractually required contribution	<u>\$ (466,742)</u>	<u>\$ (416,771)</u>	<u>\$ (380,953)</u>	<u>\$ (344,844)</u>	<u>\$ (324,082)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 45,758,971	\$ 40,859,906	\$ 37,348,354	\$ 33,444,064	\$ 31,773,927
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.03%	1.02%
Fiscal year-ended June 30,	2020	2019	2018	2017	
Contractually required contribution	\$ 348,899	\$ 312,978	\$ 296,442	\$ 287,567	
Contributions in relation to the contractually required contribution	<u>\$ (348,899)</u>	<u>\$ (312,978)</u>	<u>\$ (296,442)</u>	<u>\$ (287,567)</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered payroll	\$ 34,205,831	\$ 30,684,706	\$ 29,062,972	\$ 28,177,402	
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Information is only available beginning in fiscal year 2017.

Montrose County School District RE-1J
Notes to Required Supplementary Information
June 30, 2025

I. Notes to the Required Supplementary Information – PERA pension

A. Significant Changes in Plan Provisions Affecting Trends in Actuarial Information

1. Changes since the December 31, 2023 actuarial valuation:

- As of the December 31, 2024, measurement date, the fiduciary net position (FNP) and related disclosure components for the Local Government Division reflect additional payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the Local Government Division Trust Fund and Health Care Trust Fund (HCTF) were \$486,000 and \$20,000, respectively.
- Actual employer contributions to the DPS Division are reduced by an amount equal to the principal payments plus interest necessary each year to finance the pension certificates of participation (PCOPs) issued in 1997 and 2008 and refinanced thereafter.

2. Changes since the December 31, 2022 actuarial valuation:

- As of the December 31, 2023, measurement date, the FNP and related disclosure components for the Local Government Division reflect payments related to the disaffiliation of Tri-County Health as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24,000,000 payment received on December 4, 2023 and a \$2,000,000 receivable. The employer disaffiliation payment and receivable allocations to the Local Government Division Trust Fund and HCTF were \$24,967,000 and \$1,033,000, respectively.
- Senate Bill (SB) 23-056, enacted and effective June 2, 2023, intended to recompense PERA for the remaining portion of the \$225,000,000 direct distribution originally scheduled for receipt July 1, 2020, suspended due to the enactment of House Bill (HB) 20-1379, but not fully repaid through the provisions within HB 22-1029. Pursuant to SB 23-056, the State Treasurer issued a warrant consisting of the balance of the PERA Payment Cash Fund, created in C.R.S. § 24-51-416, plus \$10,000,000 from the General Fund, totaling \$14,561,000.
- SB 23-163, enacted and effective June 6, 2023, states beginning July 1, 2023, a wildlife officer and a parks and recreation officer employed by the Division of Parks and Wildlife in the Department of Natural Resources, is classified as a "State Trooper" for the purpose of determining their service retirement eligibility.
- As of the December 31, 2023, measurement date, the total pension liability (TPL) recognizes the change in the default method applied for granting service accruals for certain members, from a "12-pay" method to a "non-12-pay" method. The default service accrual method for positions with an employment pattern of at least eight months but fewer than 12 months (including, but not limited to positions in the School and DPS Divisions) receive a higher ratio of service credit for each month worked, up to a maximum of 12 months of service credit per year.
- Actual employer contributions to the DPS Division are reduced by an amount equal to the principal payments plus interest necessary each year to finance the PCOPs issued in 1997 and 2008 and refinanced thereafter.

Montrose County School District RE-1J
Notes to Required Supplementary Information
June 30, 2025
(continued)

I. Notes to the Required Supplementary Information – PERA pension (continued)

A. Significant Changes in Plan Provisions Affecting Trends in Actuarial Information (continued)

3. Changes since the December 31, 2021 actuarial valuation:

- HB 22-1029, effective upon enactment in 2022, required the State Treasurer to issue, in addition to the regularly scheduled \$225,000,000 direct distribution, a warrant to PERA in the amount of \$380,000,000 with reductions to future direct distributions. The July 1, 2023, direct distribution will be reduced by \$190,000,000 to \$35,000,000. The July 1, 2024, direct distribution will not be reduced from \$225,000,000 due to a negative investment return in 2022.
- The TPL for the Local Government Division, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, as allowable under C.R.S. § 24-51-313, of Tri-County Health, effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date.
- Actual employer contributions to the DPS Division are reduced by an amount equal to the principal payments plus interest necessary each year to finance the PCOPs issued in 1997 and 2008 and refinanced thereafter.

4. Changes since the December 31, 2020 actuarial valuation:

- The following changes reflect the anticipated adjustments resulting from the 2020 automatic adjustment provision (AAP) assessment, statutorily recognized July 1, 2021, and effective July 1, 2022:
 - Member contribution rates increase by 0.50%.
 - Employer contribution rates increase by 0.50%.
 - Annual increase (AI) cap is lowered from 1.25% per year to 1.00% per year.
- Actual employer contributions to the DPS Division are reduced by an amount equal to the principal payments plus interest necessary each year to finance the PCOPs issued in 1997 and 2008 and refinanced thereafter.

5. Changes since the December 31, 2019 actuarial valuation:

- HB 20-1379, enacted on June 29, 2020, suspended the \$225,000 direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.
- HB 20-1394, enacted on June 29, 2020, requires 5.0% of the Judicial Division base employer contributions rate to be paid by the members of the Judicial Division for the State's 2020-21 and 2021-22 fiscal years. This does not apply to the employer or member contribution rates for judges employed by the Denver County Court.
- SB 18-200 and SB 20-057, enacted in 2018 and 2020, respectively expanded the definition of "State Trooper" under Colorado law as follows: ▪ Beginning July 1, 2020, new or existing employees of the Division of Fire Prevention and Control in the Department of Public Safety classified as firefighter I through firefighter VII;
- New members hired on or after January 1, 2020, as a county sheriff, undersheriff, deputy sheriff, noncertified deputy sheriff, or detention officer by a Local Government Division employer; and
- New members hired on or after January 1, 2020, as a corrections officer classified as I through IV by a State Division employer.
- Actual employer contributions to the DPS Division are reduced by an amount equal to the principal payments plus interest necessary each year to finance the PCOPs issued in 1997 and 2008 and refinanced thereafter.

Montrose County School District RE-1J
Notes to Required Supplementary Information
June 30, 2025
(continued)

I. Notes to the Required Supplementary Information – PERA pension (continued)

A. Significant Changes in Plan Provisions Affecting Trends in Actuarial Information (continued)

6. Changes since the December 31, 2018 actuarial valuation:

- SB 18-200 was enacted on June 4, 2018, which included the adoption of the AAP. The following changes reflect the anticipated adjustments resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020:
 - Member contribution rates increase by 0.50%.
 - Employer contribution rates increase by 0.50%.
 - AI cap is lowered from 1.50% per year to 1.25% per year.
- HB 19-1217, enacted May 20, 2019, repealed the member contribution increases scheduled for the Local Government Division pursuant to SB 18-200.
- Actual employer contributions to the DPS Division are reduced by an amount equal to the principal payments plus interest necessary each year to finance the PCOPs issued in 1997 and 2008 and refinanced thereafter.

7. Changes since the December 31, 2017 actuarial valuation:

- The following changes were made to the plan provisions as part of SB 18-200:
 - Member contribution rates increase by 0.75% effective July 1, 2019, an additional 0.75% effective July 1, 2020, and an additional 0.50% effective July 1, 2021.
 - Employer contribution rates increase by 0.25% effective July 1, 2019 for State, School, Judicial, and DPS Divisions.
 - An annual direct distribution of \$225,000,000 from the State of Colorado, recognized as a nonemployer contributing entity, is distributed between the State, School, Judicial, and DPS Divisions proportionally based on payroll.
 - AI cap is lowered from 2.00% per year to 1.50% per year. ▪ Initial AI waiting period is extended from one year after retirement to three years after retirement.
 - AI payments are suspended for 2018 and 2019.
 - The number of years used in the highest average salary calculation for non-vested members as of January 1, 2020, increases from three to five years for the State, School, Local Government, and DPS Divisions and increases from one to three years for the Judicial Division.
- Actual employer contributions to the DPS Division are reduced by an amount equal to the principal payments plus interest necessary each year to finance the PCOPs issued in 1997 and 2008 and refinanced thereafter.

8. Changes since the December 31, 2016 actuarial valuation:

- The Cunningham Fire Protection District (CFPD) disaffiliated from the Local Government Division on December 2, 2017. For the purpose of the December 31, 2017, measurement date, liabilities were determined assuming no additional benefit accruals for the disaffiliated membership of the CFPD that had not refunded their PERA member contribution accounts. The total disaffiliation payment of \$1,159,000 was allocated to the Local Government Division Trust Fund and the HCTF in the amount of \$1,063,000 and \$96,000, respectively.

Montrose County School District RE-1J
Notes to Required Supplementary Information
June 30, 2025
(continued)

I. Notes to the Required Supplementary Information – PERA pension (continued)

A. Significant Changes in Plan Provisions Affecting Trends in Actuarial Information (continued)

8. Changes since the December 31, 2016 actuarial valuation (continued):

- Pursuant to HB 17-1265, the amortization equalization disbursement (AED) and supplemental amortization equalization disbursement (SAED) contribution rates are adjusted for employers in the Judicial Division as follows:
 - For the calendar year beginning in 2019, C.R.S. § 24-51-411(4.5) increased the AED payment to 3.40% of PERA-includable salary and requires the AED payment to increase by 0.40% at the start of each of the following four calendar years through 2023 at which time the AED payment will be 5.00% of PERA-includable salary.
 - For the calendar year beginning in 2019, C.R.S. § 24-51-411(7.5) increased the SAED payment to 3.40% of PERA-includable salary and requires the SAED payment to increase by 0.40% at the start of each of the following four calendar years through 2023 at which time the SAED payment will be 5.00% of PERA-includable salary.
- Actual employer contributions to the DPS Division are reduced by an amount equal to the principal payments plus interest necessary each year to finance the PCOPs issued in 1997 and 2008 and refinanced thereafter.

9. Changes since the December 31, 2015 actuarial valuation:

- Actual employer contributions to the DPS Division are reduced by an amount equal to the principal payments plus interest necessary each year to finance the PCOPs issued in 1997 and 2008 and refinanced thereafter.

10. Changes since the December 31, 2014 actuarial valuation:

- Actual employer contributions to the DPS Division are reduced by an amount equal to the principal payments plus interest necessary each year to finance the PCOPs issued in 1997 and 2008 and refinanced thereafter.
- As required under C.R.S. § 24-51-401(1.7)(e), PERA calculated and provided to the Colorado General Assembly an adjustment to the DPS Division's employer contribution rate to assure the equalization of the School Division's and the DPS Division's ratios of unfunded actuarial accrued liability to payroll as of December 31, 2039. Subsequently, the Colorado General Assembly passed HB 15-1391, reducing the employer contribution rate of the DPS Division from 13.75% to 10.15%, effective January 1, 2015.

B. Changes to assumptions or other inputs

1. Changes since the December 31, 2023 actuarial valuation:

- Salary scale assumptions were altered to better reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The Pub-2010 Public Retirement Plans Mortality base tables were retained for purposes of active, retired, disabled, and beneficiary lives, with revised adjustments for credibility and gender, where applicable. In addition, the applied generational projection scale was updated to the 2024 adjusted scale MP-2021.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.40% to 0.45%.

Montrose County School District RE-1J
Notes to Required Supplementary Information
June 30, 2025
(continued)

I. Notes to the Required Supplementary Information – PERA pension (continued)

B. Changes to assumptions or other inputs (continued)

2. Changes since the December 31, 2022 actuarial valuation:

- There were no changes made to the actuarial methods or assumptions.

3. Changes since the December 31, 2021 actuarial valuation:

- There were no changes made to the actuarial methods or assumptions.

4. Changes since the December 31, 2020 actuarial valuation:

- There were no changes made to the actuarial methods or assumptions.

5. Changes since the December 31, 2019 actuarial valuation:

- The assumption used to value the AI cap benefit provision was changed from 1.25% to 1.00%.

6. Changes since the December 31, 2018 actuarial valuation:

- The price inflation assumption was lowered from 2.4 percent to 2.30 percent.
- The wage inflation assumption was lowered from 3.5 percent to 3.00 percent.
- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the School and DPS Divisions was changed to the PubT-2010 Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the School and DPS Divisions was changed to the PubT-2010 Healthy Retiree Table, adjusted as follow:
 - Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
 - Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The post-retirement non-disabled beneficiary mortality assumption for the Division Trust Funds was changed to the Pub-2019 Contingent Survivor Table, adjusted as follows:
 - Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
 - Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a head-count weighted basis.

7. Changes since the December 31, 2017 actuarial valuation:

- The assumption used to value the AI cap benefit provision was changed from 1.50 percent to 1.25 percent.

Montrose County School District RE-1J
Notes to Required Supplementary Information
June 30, 2025
(continued)

I. Notes to the Required Supplementary Information – PERA pension (continued)

B. Changes to assumptions or other inputs (continued)

8. Changes since the December 31, 2016 actuarial valuation:

- The single equivalent interest rate (“SEIR”) was increased from 4.78 percent to 7.25 percent to reflect the changes to the projection’s valuation basis, which no longer resulted in a projected year of depletion of the FNP, thereby eliminating the need to apply the municipal bond index rate.

9. Changes since the December 31, 2015 actuarial valuation:

- The SEIR was lowered from 5.26% to 4.78% to reflect the changes to the projection’s valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.
- The municipal bond index rate used in the determination of the SEIR changed from 3.86% on the prior measurement date to 3.43% on the measurement date.

10. Changes Since the December 31, 2014 Actuarial Valuation:

- The investment return assumption was lowered from 7.5% to 7.25%
- The wage inflation assumption was lowered from 3.90% to 3.50%
- The post-retirement mortality assumption for healthy lives for the School and Denver Public School (“DPS”) Divisions was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93% factor applied to ages below 80 and a 113% factor applied to age 80 and above, projected to 2018, or males, and a 68% factor applied to ages below 80 and a 106% factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90% of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35% to 0.40%.
- The SEIR for the School Division Trust Fund was lowered from 7.50% to 5.26% to reflect the changes to the projection’s valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.

II. Notes to the Required Supplementary Information – PERA OPEB

A. Significant Changes in Plan Provisions Affecting Trends in Actuarial Information

1. Changes since the December 31, 2023 actuarial valuation:

- As of the December 31, 2024, measurement date, the fiduciary net position (FNP) and related disclosure components for the Health Care Trust Fund (HCTF) reflect additional payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the HCTF and Local Government Division Trust Fund were \$20,000 and \$486,000, respectively.

Montrose County School District RE-1J
Notes to Required Supplementary Information
June 30, 2025
(continued)

II. Notes to the Required Supplementary Information – PERA OPEB (continued)

A. Significant Changes in Plan Provisions Affecting Trends in Actuarial Information (continued)

2. Changes since the December 31, 2022 actuarial valuation:

- As of the December 31, 2023, measurement date, the FNP and related disclosure components for the HCTF reflect payments related to the disaffiliation of Tri-County Health as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24,000,000 payment received on December 4, 2023 and a \$2,000,000 receivable. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$1,033,000 and \$24,967,000, respectively.

3. Changes since the December 31, 2021 actuarial valuation:

- The total OPEB liability for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. § 24-51-313, of Tri-County Health, effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date.

4. Changes since the December 31, 2020 actuarial valuation:

- There were no change made to the plan provisions.

5. Changes since the December 31, 2019 actuarial valuation:

- There were no change made to the plan provisions.

6. Changes since the December 31, 2018 actuarial valuation:

- There were no change made to the plan provisions.

7. Changes since the December 31, 2017 actuarial valuation:

- There were no change made to the plan provisions.

8. Changes since the December 31, 2016 actuarial valuation:

- The Cunningham Fire Protection District (CFPD) disaffiliated from the Local Government Division, thereby ending participation in the HCTF on December 2, 2017. For the purpose of disclosure as of the December 31, 2017, measurement date, liabilities were determined assuming no additional service accruals impacting possible future premium subsidies for the disaffiliated membership of the CFPD that had not refunded their PERA member contribution accounts. The total disaffiliation payment of \$1,159,000 was allocated to the Local Government Division Trust Fund and the HCTF in the amount of \$1,063,000 and \$96,000, respectively.

Montrose County School District RE-1J
Notes to Required Supplementary Information
June 30, 2025
(continued)

II. Notes to the Required Supplementary Information – PERA OPEB (continued)

B. Changes to assumptions or other inputs

1. Changes since the December 31, 2023 actuarial valuation:

- Salary scale assumptions were altered to better reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on experience. In addition, the mortality projection scale was updated to the 2024 adjusted scale MP-2021 to reflect future improvements in mortality for all groups.
- Participation rates were reduced.
- MAPD premium costs are no longer age graded.

2. Changes since the December 31, 2022 actuarial valuation:

- There were no change made to the actuarial methods or assumptions.

3. Changes since the December 31, 2021 actuarial valuation:

- The timing of the retirement decrement was adjusted to middle-of-year.

1. Changes since the December 31, 2020 actuarial valuation:

- There were no change made to the actuarial methods or assumption

2. Changes since the December 31, 2019 actuarial valuation:

- Changes since the December 31, 2019 to the HCTF actuarial valuation are the same as the changes to the SCHDTF noted in Note I.B.5. above.

3. Changes since the December 31, 2018 actuarial valuation:

- There were no change made to the actuarial methods or assumptions.

4. Changes since the December 31, 2017 actuarial valuation:

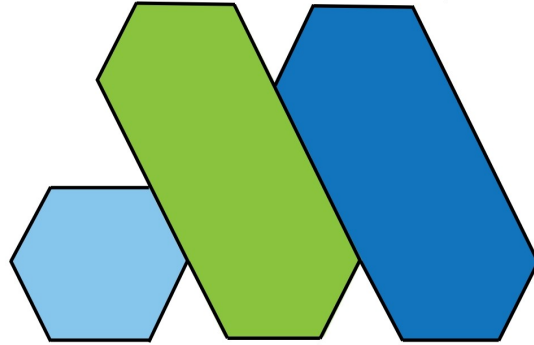
- There were no change made to the actuarial methods or assumptions.

5. Changes since the December 31, 2016 actuarial valuation:

- There were no change made to the actuarial methods or assumptions.

Supplementary Information

Montrose County



School District

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Combining Balance Sheet
General Fund and Related Sub-Fund
June 30, 2025

	<u>General Fund</u>	<u>Insurance Reserve Fund</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 24,099,994	\$ 902,868	\$ 25,002,862
Accounts receivable, net:			
Taxes	1,213,096	-	1,213,096
Other governments	484,357	-	484,357
Other receivables	21,068	-	21,068
Due from other funds	1,198,456	-	1,198,456
Prepaid items	700,828	-	700,828
Inventories	188,054	-	188,054
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ 27,905,853	\$ 902,868	\$ 28,808,721
	<u> </u>	<u> </u>	<u> </u>
Liabilities:			
Accounts payable and accrued expenses	\$ 369,604	\$ 16,487	\$ 386,091
Accrued salaries and benefits	7,272,440	-	7,272,440
Due to other funds	-	886,381	886,381
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	7,642,044	902,868	8,544,912
	<u> </u>	<u> </u>	<u> </u>
Deferred Inflows of Resources:			
Unavailable property taxes	273,990	-	273,990
Unavailable transportation revenue	337,086	-	337,086
	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	611,076	-	611,076
	<u> </u>	<u> </u>	<u> </u>
Fund Balances:			
Non-spendable:			
Prepaid items	700,828	-	700,828
Inventories	188,054	-	188,054
Restricted for:			
Universal Preschool Program (UPK) Reserve	265,830	-	265,830
TABOR Reserve	2,351,000	-	2,351,000
Committed for:			
Multi-year contracts	708,723	-	708,723
Contingency reserve	3,000,000	-	3,000,000
Assigned for:			
School based health centers	343,357	-	343,357
Program sustainability reserve	3,701,746	-	3,701,746
Insurance	886,381	-	886,381
Unassigned	7,506,814	-	7,506,814
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	19,652,733	-	19,652,733
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 27,905,853	\$ 902,868	\$ 28,808,721
	<u> </u>	<u> </u>	<u> </u>

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
General Fund and Related Sub-Fund
For the Year Ended June 30, 2025

	General Fund	Insurance Reserve Fund	Total
Revenues:			
Local sources:			
Property taxes levied for general purposes	\$ 21,986,019	\$ -	\$ 21,986,019
Specific ownership taxes	3,048,789	-	3,048,789
Delinquent taxes and penalties and interest	74,757	-	74,757
Investment income (loss)	1,471,137	4	1,471,141
Other	552,578	225	552,803
Intermediate sources	97,371	-	97,371
State sources:			
Equalization	41,442,662	-	41,442,662
Other	5,916,044	-	5,916,044
Federal sources	897,636	-	897,636
Total Revenues	75,486,993	229	75,487,222
Expenditures:			
Direct instruction	41,468,431	-	41,468,431
Supporting services:			
Students	4,822,365	-	4,822,365
Instructional staff	3,419,159	-	3,419,159
General administration	1,128,625	-	1,128,625
School administration	4,939,984	-	4,939,984
Business	1,099,962	-	1,099,962
Central	2,240,168	135,198	2,375,366
Other	1,168	-	1,168
Operations and maintenance	6,581,194	899,320	7,480,514
Transportation	1,766,738	-	1,766,738
Food service	8,163	-	8,163
Capital outlay	1,483,689	-	1,483,689
Total Expenditures	68,959,646	1,034,518	69,994,164
Excess (Deficiency) of Revenues Over Expenditures	6,527,347	(1,034,289)	5,493,058
Other Financing Sources (Uses):			
Charter school allocation	(1,982,226)	-	(1,982,226)
Transfers in	886,381	1,000,000	1,886,381
Transfers (out)	(3,089,000)	(886,381)	(3,975,381)
Total Other Financing Sources (Uses)	(4,184,845)	113,619	(4,071,226)
Net Change in Fund Balances	2,342,502	(920,670)	1,421,832
Fund Balances - Beginning of Year	17,310,231	920,670	18,230,901
Fund Balances - End of Year	19,652,733	-	19,652,733

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2025

	<u>Special Revenue Funds</u>			<u>Debt Service Funds</u>		<u>Capital Projects Funds</u>		<u>Total Non-Major Governmental Funds</u>
	<u>Food Service Fund</u>	<u>Pupil Activity Fund</u>	<u>Fee-in-Lieu Fund</u>	<u>Bond Redemption Fund</u>	<u>Capital Lease Fund</u>	<u>Building Fund</u>	<u>Capital Reserve Fund</u>	
Assets:								
Cash and investments	\$ 464,081	\$ 1,592,692	\$ 912,512	\$ 1,533,315	\$ 3,533,753	\$ 7,345,676	\$ 2,520,612	\$ 17,902,641
Accounts receivable, net:								
Taxes	-	-	-	482,975	-	-	-	482,975
Intergovernmental	390,527	-	-	-	-	-	-	390,527
Other receivables	97,895	141	3,395	-	-	-	-	101,431
Inventories	84,485	-	-	-	-	-	-	84,485
Prepaid items	-	-	-	-	-	-	16,000	16,000
Total Assets	<u>\$ 1,036,988</u>	<u>\$ 1,592,833</u>	<u>\$ 915,907</u>	<u>\$ 2,016,290</u>	<u>\$ 3,533,753</u>	<u>\$ 7,345,676</u>	<u>\$ 2,536,612</u>	<u>\$ 18,978,059</u>
Liabilities:								
Accounts payable and accrued expenses	\$ 86,764	\$ 662	\$ -	\$ -	\$ -	\$ 1,600	\$ 169,681	\$ 258,707
Accrued salaries and benefits	96,862	-	-	-	-	-	-	96,862
Unearned revenue	31,007	-	-	-	-	-	-	31,007
Total Liabilities	<u>214,633</u>	<u>662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,600</u>	<u>169,681</u>	<u>386,576</u>
Deferred Inflows of Resources:								
Unavailable property taxes	-	-	-	29,386	-	-	-	29,386
Fund Balances:								
Non-spendable								
Prepaid items	-	-	-	-	-	-	16,000	16,000
Inventories	84,485	-	-	-	-	-	-	84,485
Restricted for:								
Debt service	-	-	-	1,986,904	-	-	-	1,986,904
Committed								
Debt service	-	-	-	-	3,533,753	-	-	3,533,753
Nutritional service	737,870	-	-	-	-	-	-	737,870
Student activities	-	1,592,171	-	-	-	-	-	1,592,171
Capital projects	-	-	915,907	-	-	7,344,076	2,350,931	10,610,914
Total Fund Balances	<u>822,355</u>	<u>1,592,171</u>	<u>915,907</u>	<u>1,986,904</u>	<u>3,533,753</u>	<u>7,344,076</u>	<u>2,366,931</u>	<u>18,562,097</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,036,988</u>	<u>\$ 1,592,833</u>	<u>\$ 915,907</u>	<u>\$ 2,016,290</u>	<u>\$ 3,533,753</u>	<u>\$ 7,345,676</u>	<u>\$ 2,536,612</u>	<u>\$ 18,978,059</u>

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2025

	Special Revenue Funds			Debt Service Funds		Capital Projects Funds		Total Non-Major Governmental Funds
	Food Service Fund	Pupil Activity Fund	Fee-in-Lieu Fund	Bond Redemption Fund	Capital Lease Fund	Building Fund	Capital Reserve Fund	
Revenues:								
Local sources	\$ 92,027	\$ 1,889,789	\$ -	\$ 2,011,982	\$ -	\$ 127,484	\$ 3,007	\$ 4,124,289
Intermediate sources	-	-	196,453	899	-	-	-	197,352
State sources	723,653	-	-	-	-	487,401	-	1,211,054
Federal sources	2,585,648	-	-	-	-	-	-	2,585,648
Total Revenues	3,401,328	1,889,789	196,453	2,012,881	-	614,885	3,007	8,118,343
Expenditures:								
Food service	3,499,681	-	-	-	-	-	-	3,499,681
Student activities	-	1,985,114	-	-	-	-	-	1,985,114
Debt Service:								
Principal	-	-	-	1,040,000	273,535	-	-	1,313,535
Interest	-	-	-	897,571	22,929	-	-	920,500
Capital outlay	56,706	-	-	-	-	1,993,819	1,469,883	3,520,408
Total Expenditures	3,556,387	1,985,114	-	1,937,571	296,464	1,993,819	1,469,883	11,239,238
Excess (Deficiency) or Revenues Over Expenditures	(155,059)	(95,325)	196,453	75,310	(296,464)	(1,378,934)	(1,466,876)	(3,120,895)
Other Financing Sources (Uses):								
Transfers in	-	-	-	-	739,000	600,000	850,000	2,189,000
Transfers (out)	-	-	(100,000)	-	-	-	-	(100,000)
Total Other Financing Sources (Uses)	-	-	(100,000)	-	739,000	600,000	850,000	2,089,000
Net Change in Fund Balance	(155,059)	(95,325)	96,453	75,310	442,536	(778,934)	(616,876)	(1,031,895)
Fund Balances - Beginning of Year	977,414	1,687,496	819,454	1,911,594	3,091,217	8,123,010	2,983,807	19,593,992
Fund Balances - End of Year	\$ 822,355	\$ 1,592,171	\$ 915,907	\$ 1,986,904	\$ 3,533,753	\$ 7,344,076	\$ 2,366,931	\$ 18,562,097

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)
Special Revenue Fund
Food Service Fund
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for 2024)

	<u>2025</u>			Final Budget Variance Positive (Negative)	<u>2024</u>
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
Revenues:					
Local sources	\$ 55,000	\$ 97,770	\$ 92,027	\$ (5,743)	\$ 53,218
State sources	1,320,000	867,875	723,653	(144,222)	1,008,244
Federal sources	2,120,000	2,674,405	2,585,648	(88,757)	2,229,152
Total Revenues	<u>3,495,000</u>	<u>3,640,050</u>	<u>3,401,328</u>	<u>(238,722)</u>	<u>3,290,614</u>
Expenditures:					
Food service	3,381,759	3,663,965	3,499,681	164,284	3,205,757
Capital outlay	45,000	110,000	56,706	53,294	28,396
Contingency	1,066,105	843,499	-	843,499	-
Total Expenditures	<u>4,492,864</u>	<u>4,617,464</u>	<u>3,556,387</u>	<u>1,061,077</u>	<u>3,234,153</u>
Net Change in Fund Balance	<u>(997,864)</u>	<u>(977,414)</u>	<u>(155,059)</u>	<u>822,355</u>	<u>56,461</u>
Fund Balance - Beginning of Year	<u>997,864</u>	<u>977,414</u>	<u>977,414</u>	<u>-</u>	<u>920,953</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 822,355</u>	<u>\$ 822,355</u>	<u>\$ 977,414</u>

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)
Special Revenue Fund
Pupil Activity Fund
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for 2024)

	<u>2025</u>			Final Budget Variance Positive (Negative)	<u>2024</u>
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
Revenues:					
Local sources:					
Student activities	\$ 1,885,000	\$ 1,885,000	\$ 1,889,785	\$ 4,785	\$ 1,890,176
Investment income (loss)	-	-	4	4	362
Total Revenues	<u>1,885,000</u>	<u>1,885,000</u>	<u>1,889,789</u>	<u>4,789</u>	<u>1,890,538</u>
Expenditures:					
Student activities	1,930,000	1,930,000	1,985,114	(55,114)	1,860,646
Capital outlay	-	-	-	-	375
Contingency	1,647,479	1,642,496	-	1,642,496	-
Total Expenditures	<u>3,577,479</u>	<u>3,572,496</u>	<u>1,985,114</u>	<u>1,587,382</u>	<u>1,861,021</u>
Net Change in Fund Balance	(1,692,479)	(1,687,496)	(95,325)	1,592,171	29,517
Fund Balance - Beginning of Year	<u>1,692,479</u>	<u>1,687,496</u>	<u>1,687,496</u>	<u>-</u>	<u>1,657,979</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,592,171</u>	<u>\$ 1,592,171</u>	<u>\$ 1,687,496</u>

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)
Special Revenue Fund
Fee-in-Lieu Fund
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for 2024)

	<u>2025</u>			Final Budget Variance Positive (Negative)	<u>2024</u>
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
Revenues:					
Intermediate sources:					
Fee in lieu of land dedication	\$ 210,000	\$ 210,000	\$ 196,453	\$ (13,547)	\$ 210,945
Total Revenues	<u>210,000</u>	<u>210,000</u>	<u>196,453</u>	<u>(13,547)</u>	<u>210,945</u>
Expenditures:					
Contingency	938,509	929,454	-	929,454	-
Total Expenditures	<u>938,509</u>	<u>929,454</u>	<u>-</u>	<u>929,454</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(728,509)</u>	<u>(719,454)</u>	<u>196,453</u>	<u>915,907</u>	<u>210,945</u>
Other Financing Sources (Uses):					
Transfers (out)	(100,000)	(100,000)	(100,000)	-	(100,000)
Net Change in Fund Balance	<u>(828,509)</u>	<u>(819,454)</u>	<u>96,453</u>	<u>915,907</u>	<u>110,945</u>
Fund Balance - Beginning of Year	<u>828,509</u>	<u>819,454</u>	<u>819,454</u>	<u>-</u>	<u>708,509</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 915,907</u>	<u>\$ 915,907</u>	<u>\$ 819,454</u>

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)
Debt Service Fund
Bond Redemption Fund
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for 2024)

	2025			Final Budget Variance Positive (Negative)	2024
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
Revenues:					
Local sources:					
Property taxes	\$ 1,933,250	\$ 1,933,250	\$ 1,941,898	\$ 8,648	\$ 2,001,153
Investment income (loss)	40,000	40,000	64,788	24,788	65,516
Other	-	-	5,296	5,296	4,011
Intermediate sources	-	-	899	899	252
Total Revenues	1,973,250	1,973,250	2,012,881	39,631	2,070,932
Expenditures:					
Debt service:					
Principal	1,040,000	1,040,000	1,040,000	-	1,015,000
Interest	898,250	898,250	897,571	679	934,717
Contingency	1,875,879	1,946,594	-	1,946,594	-
Total Expenditures	3,814,129	3,884,844	1,937,571	1,947,273	1,949,717
Net Change in Fund Balance	(1,840,879)	(1,911,594)	75,310	1,986,904	121,215
Fund Balance - Beginning of Year	1,840,879	1,911,594	1,911,594	-	1,790,379
Fund Balance - End of Year	\$ -	\$ -	\$ 1,986,904	\$ 1,986,904	\$ 1,911,594

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)
Debt Service Fund
Capital Lease Fund
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for 2024)

	2025			Final Budget Variance Positive (Negative)	2024
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
Revenues:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 47,849
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,849</u>
Expenditures:					
Debt service:					
Principal	273,535	273,535	273,535	-	259,293
Interest	22,929	22,929	22,929	-	29,236
Capital outlay	700,000	700,000	-	700,000	-
Contingency	2,797,059	2,833,753	-	2,833,753	-
Total Expenditures	<u>3,793,523</u>	<u>3,830,217</u>	<u>296,464</u>	<u>3,533,753</u>	<u>288,529</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,793,523)</u>	<u>(3,830,217)</u>	<u>(296,464)</u>	<u>3,533,753</u>	<u>(240,680)</u>
Other Financing Sources (Uses):					
Transfers in	739,000	739,000	739,000	-	739,000
Net Change in Fund Balance	<u>(3,054,523)</u>	<u>(3,091,217)</u>	<u>442,536</u>	<u>3,533,753</u>	<u>498,320</u>
Fund Balance - Beginning of Year	<u>3,054,523</u>	<u>3,091,217</u>	<u>3,091,217</u>	<u>-</u>	<u>2,592,897</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,533,753</u>	<u>\$ 3,533,753</u>	<u>\$ 3,091,217</u>

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)
Capital Projects Fund
Building Fund
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for 2024)

	2025			Final Budget Variance Positive (Negative)	2024
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
Revenues:					
Local sources	\$ 90,000	\$ 100,000	\$ 127,484	\$ 27,484	\$ 411,528
State sources:					
Rural funding	-	-	-	-	978,507
Grants	750,000	412,000	487,401	75,401	1,552,853
Total Revenues	840,000	512,000	614,885	102,885	2,942,888
Expenditures:					
Capital outlay:					
Land and improvements	675,000	640,435	599,777	40,658	415,419
Buildings	-	1,070,000	986,432	83,568	66,548
Equipment	1,200,000	411,515	407,610	3,905	1,444,284
Contingency	6,833,041	7,113,060	-	7,113,060	-
Total Expenditures	8,708,041	9,235,010	1,993,819	7,241,191	1,926,251
Excess (Deficiency) of Revenues Over Expenditures	(7,868,041)	(8,723,010)	(1,378,934)	7,344,076	1,016,637
Other Financing Sources (Uses):					
Transfers in	600,000	600,000	600,000	-	3,100,000
Net Change in Fund Balance	(7,268,041)	(8,123,010)	(778,934)	7,344,076	4,116,637
Fund Balance - Beginning of Year	7,268,041	8,123,010	8,123,010	-	4,006,373
Fund Balance - End of Year	\$ -	\$ -	\$ 7,344,076	\$ 7,344,076	\$ 8,123,010

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)
Capital Projects Fund
Capital Reserve Fund
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for 2024)

	<u>2025</u>			Final Budget Variance Positive (Negative)	<u>2024</u>
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
Revenues:					
Local sources					
Investment income (loss)	\$ 1,500	\$ 1,500	\$ 3,007	\$ 1,507	\$ 2,728
State sources	-	-	-	-	106,884
Total Revenues	<u>1,500</u>	<u>1,500</u>	<u>3,007</u>	<u>1,507</u>	<u>109,612</u>
Expenditures:					
Capital outlay:					
Equipment	60,000	160,000	109,520	50,480	88,371
Land and improvements	-	322,661	773,134	(450,473)	-
Non-capitalized outlay	808,000	1,277,339	587,229	690,110	943,394
Contingency	3,038,993	2,075,307	-	2,075,307	-
Total Expenditures	<u>3,906,993</u>	<u>3,835,307</u>	<u>1,469,883</u>	<u>2,365,424</u>	<u>1,031,765</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,905,493)</u>	<u>(3,833,807)</u>	<u>(1,466,876)</u>	<u>2,366,931</u>	<u>(922,153)</u>
Other Financing Sources (Uses):					
Transfers in	850,000	850,000	850,000	-	850,000
Net Change in Fund Balance	<u>(3,055,493)</u>	<u>(2,983,807)</u>	<u>(616,876)</u>	<u>2,366,931</u>	<u>(72,153)</u>
Fund Balance - Beginning of Year	<u>3,055,493</u>	<u>2,983,807</u>	<u>2,983,807</u>	<u>-</u>	<u>3,055,960</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,366,931</u>	<u>\$ 2,366,931</u>	<u>\$ 2,983,807</u>

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual (GAAP Basis)
Internal Service Fund
Employee Medical Benefit Fund
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for 2024)

	2025			Final Budget Variance Positive (Negative)	2024
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
Revenues:					
Premiums	\$ 7,955,960	\$ 7,955,960	\$ 8,218,484	\$ 262,524	\$ 7,595,397
Stop loss reimbursements	-	-	133,828	133,828	886,323
Prescription rebates	-	-	92,385	92,385	229,954
	-	-	-	-	-
Total Revenues	7,955,960	7,955,960	8,444,697	488,737	8,711,674
Expenses					
Medical claims paid	6,516,630	6,856,278	7,726,993	(870,715)	7,112,850
Fees and supplies	1,500,000	1,565,276	1,677,505	(112,229)	1,600,895
Contingency	3,117,016	2,329,479	-	2,329,479	-
	-	-	-	-	-
Total Expenses	11,133,646	10,751,033	9,404,498	1,346,535	8,713,745
Operating Income (Loss)	(3,177,686)	(2,795,073)	(959,801)	1,835,272	(2,071)
Non-Operating Revenues (Expenses)					
Investment income (loss)	75,000	75,000	163,358	88,358	90,799
Change in Net Position	(3,102,686)	(2,720,073)	(796,443)	1,923,630	88,728
Net Position - Beginning of Year	3,102,686	2,720,073	2,720,072	(1)	2,631,344
Net Position - End of Year	\$ -	\$ -	\$ 1,923,629	\$ 1,923,629	\$ 2,720,072

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual (GAAP Basis)
Custodial Fund
Scholarship Trust Fund
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for 2024)

	2025			Final Budget Variance Positive (Negative)	2024
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
Additions					
Investment income (loss)	\$ 50,000	\$ 50,000	\$ 68,967	\$ 18,967	\$ 68,158
Rental income	12,000	12,000	12,000	-	12,000
Contributions	28,000	28,000	72,505	44,505	29,158
Total Additions	90,000	90,000	153,472	63,472	109,316
Deductions					
Scholarships awarded	85,000	85,000	61,290	23,710	75,940
Operations and maintenance	3,500	3,500	1,094	2,406	978
Contingency	348,015	351,843	-	351,843	-
Total Deductions	436,515	440,343	62,384	377,959	76,918
Change in Net Position	(346,515)	(350,343)	91,088	441,431	32,398
Net Position - Beginning of Year	1,184,813	1,188,641	1,188,641	-	1,156,243
Net Position - End of Year	\$ 838,298	\$ 838,298	\$ 1,279,729	\$ 441,431	\$ 1,188,641

The accompanying notes are an integral part of this statement.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
Expenditure Matrix - General Fund (Including Insurance Reserve Sub-Fund)
Budgetary Basis
For the Year Ended June 30, 2025

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>	<u>Supplies</u>	<u>Capital</u>	<u>Other</u>	<u>Total Actual Amounts</u>	<u>Final Budget</u>	<u>Final Budget Variance Positive (Negative)</u>
Direct instruction	\$ 28,186,372	\$ 10,424,595	\$ 2,165,061	\$ 692,373	\$ -	\$ 30	\$ 41,468,431	\$ 41,907,307	\$ 438,876
Supporting services:									
Students	3,347,390	1,189,210	262,914	22,631	-	220	4,822,365	4,991,564	169,199
Instructional staff	2,146,854	724,795	410,419	135,276	-	1,815	3,419,159	4,103,107	683,948
General administration	581,349	178,772	331,067	76,283	-	(38,846)	1,128,625	1,199,989	71,364
School administration	3,507,067	1,202,549	26,130	200,318	-	3,920	4,939,984	5,105,206	165,222
Business	729,511	260,912	200,155	19,612	-	(110,228)	1,099,962	1,271,915	171,953
Central	1,119,005	380,688	747,255	122,325	-	6,093	2,375,366	2,241,234	(134,132)
Other	-	-	1,168	-	-	-	1,168	2,500	1,332
Subtotal - Supporting services	11,431,176	3,936,926	1,979,108	576,445	-	(137,026)	17,786,629	18,915,515	1,128,886
Operations and maintenance	3,096,184	1,249,923	1,615,886	1,517,072	-	1,449	7,480,514	7,720,045	239,531
Transportation	48,457	22,320	1,591,757	104,204	-	-	1,766,738	1,874,997	108,259
Food service	-	-	-	8,163	-	-	8,163	-	(8,163)
Contingency	-	-	-	-	-	-	-	17,475,939	17,475,939
Capital outlay	-	-	522	-	1,483,167	-	1,483,689	201,800	(1,281,889)
Total Expenditures	<u>42,762,189</u>	<u>15,633,764</u>	<u>7,352,334</u>	<u>2,898,257</u>	<u>1,483,167</u>	<u>(135,547)</u>	<u>69,994,164</u>	<u>88,095,603</u>	<u>18,101,439</u>
Final Budget	43,351,690	15,682,460	7,308,658	3,066,097	1,180,689	17,506,009	88,095,603		
Final Budget Variance - Positive (Negative)	<u>\$ 589,501</u>	<u>\$ 48,696</u>	<u>\$ (43,676)</u>	<u>\$ 167,840</u>	<u>\$ (302,478)</u>	<u>\$ 17,641,556</u>	<u>\$ 18,101,439</u>		

The accompanying notes are an integral part of this statement.



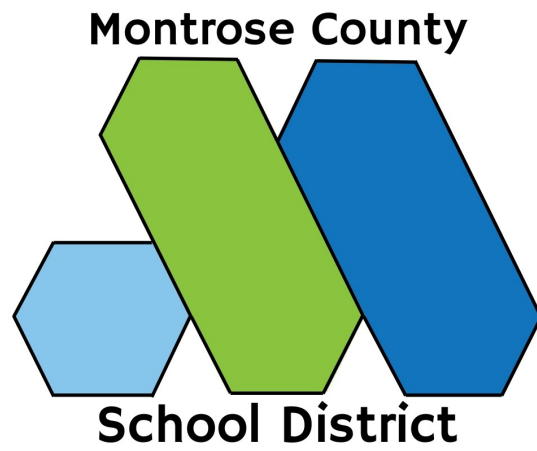
Colorado Department of Education
Auditors Integrity Report
 District: 2180 - Montrose County RE-1J
 Fiscal Year 2024-25
 Colorado School District/BOCES

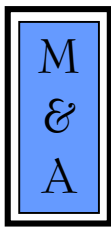
Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	17,310,232	71,302,148	68,959,646	19,652,734
18 Risk Mgmt Sub-Fund of General Fund	920,670	113,848	1,034,517	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	18,230,902	71,415,996	69,994,164	19,652,734
11 Charter School Fund	2,995,770	2,234,555	2,040,380	3,189,945
20,26-29 Special Revenue Fund	819,454	96,453	0	915,907
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	977,413	3,401,328	3,556,387	822,355
22 Govt Designated-Purpose Grants Fund	0	9,554,877	9,554,877	0
23 Pupil Activity Special Revenue Fund	1,687,496	1,889,790	1,985,114	1,592,172
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,911,594	2,012,881	1,937,571	1,986,904
39 Certificate of Participation (COP) Debt Service Fund	3,091,217	739,000	296,464	3,533,754
41 Building Fund	8,123,011	1,214,886	1,993,820	7,344,076
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	2,983,808	853,007	1,469,884	2,366,931
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	40,820,665	93,412,773	92,828,660	41,404,779
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	2,720,073	389,570	1,186,014	1,923,629
Totals	2,720,073	389,570	1,186,014	1,923,629
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	1,188,642	153,472	62,384	1,279,729
85 Foundations	0	0	0	0
Totals	1,188,642	153,472	62,384	1,279,729

FINAL

Single Audit Reports and Schedules





McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**To the Board of Education
Montrose County School District RE-1J
Montrose, Colorado**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montrose County School District RE-1J (the "District") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated **December 1, 2025**.

Internal Control Over Financial Reporting

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

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

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

Member: American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
To the Board of Education
Montrose County School District
Montrose, Colorado

Compliance and Other Matters

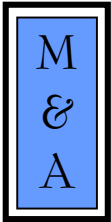
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

Purpose of this Report

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

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
Avon, Colorado
December 1, 2025



McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

**To the Board of Education
Montrose County School District RE-1J
Montrose, Colorado**

Opinion on Each Major Federal Program

We have audited the compliance of Montrose County School District (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (the "Uniform Guidance"), and the Guide. Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Member: American Institute of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT
To the Board of Education
Montrose County School District RE-1J
Montrose, Colorado**

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

**INDEPENDENT AUDITOR'S REPORT
To the Board of Education
Montrose County School District RE-1J
Montrose, Colorado**

Report on Internal Control Over Compliance (continued)

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

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

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
Avon, Colorado
December 1, 2025**

Montrose County School District RE-1J
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2025

Part I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	None noted
Significant deficiency identified	None noted
Noncompliance material to financial statements noted	None noted

Federal Awards:

Internal control over major programs:	
Material weakness identified	None noted
Significant deficiency identified	None noted
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2, U.S. Code of Federal Regulations, Part 200	No

Major programs:

Education Stabilization Fund	ALN 84.425
Head Start	ALN 93.600,
Dollar threshold used to identify Type A from Type B programs:	\$750,000
Identified as low-risk auditee	Yes

Part II – Findings Related to Financial Statements

Findings related to financial statements as required by <i>Government Auditing Standards</i>	No
Auditor-assigned reference number	Not applicable

Part III – Findings Related to Federal Awards

Internal control findings	None noted
Compliance findings	None noted
Questioned costs	None noted
Auditor-assigned reference number	Not applicable

Montrose County School District RE-1J
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2025

Note: There were no findings for the year ended June 30, 2024.

Montrose County School District RE-1J
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Program Title	Federal Assistance Listing Number	Grant Project Code	Expenditures	
U.S Department of Education:				
Passed through Colorado Department of Education:				
Title I Grants to Local Educational Agencies	84.010	4010 / 5010	\$ 1,236,677	
Adult Education - Basic Grants to States	84.002	5002	136,607	
Special Education Grants to States	84.027	4027	1,577,387	A
Special Education Preschool Grants	84.173	4173	28,625	A
Title II, Part A - Supporting Effective Instruction State Grants	84.367	4367	195,566	
English Language Acquisition State Grants	84.365A	4365 / 7365	86,356	
Student Support and Academic Enrichment Program	84.424A	4424	118,458	
COVID-19 - ESSER III 90% - LEA Allocation	84.425U	4414	985,712	
COVID-19 - ESSER III ARP 9.5% State Set-Aside LEA Learning Loss	84.425U	9414	232,080	
COVID-19 - ESSER III ARP 9.5% State Set-Aside, Rural Coaction	84.425U	4429	586,497	
COVID-19 - ESSER III ARP 9.5% State Set-Aside, Professional Learning	84.425U	4453	10,000	
<i>Subtotal - Education Stabilization Fund</i>			<u>1,814,289</u>	
Passed through State Board for Community College and Occupation Education:				
Career and Technical Education - Basic Grants to States	84.048	4048 / 5048	65,687	
Total - U.S. Department of Education			<u>5,259,652</u>	
U.S. Department of Treasury:				
Passed through Colorado Department of Education:				
COVID-19 - CSLFRF: School Based Center	21.027	7129	9,000	
Passed through Craig Chamber of Commerce:				
COVID-19 - Workforce Innovation Grant: CSLFRD Opportunity Now Colorado Program	21.027	7130	85,220	
<i>Subtotal - Coronavirus State and Local Fiscal Recovery Funds</i>			<u>94,220</u>	
Total - U.S. Department of Treasury			<u>94,220</u>	
U.S Department of Health and Human Services:				
Head Start	93.600	8600	1,389,085	B
Passed through Colorado Department of Education:				
Public Health Emergency Response	93.354	7354	9,993	
Passed through Colorado Department of Public Health and Environment:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7959	27,166	
Passed through Colorado Office of Early Childhood:				
COVID-19 - Child Care Assistance and Development Block Grant	93.575	7575	6,583	C
Total - U.S. Department of Health and Human Services			<u>1,432,827</u>	

(continued)

Montrose County School District RE-1J
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025
(continued)

Program Title	Federal Assistance Listing Number	Grant Project Code	Expenditures
U.S Department of Agriculture:			
Passed through Colorado Department of Education:			
School Breakfast Program	10.553	4553	430,896 <i>D</i>
Summer Food Service Program for Children	10.559	4559	224,411 <i>D</i>
National School Lunch Program	10.555	4555	1,692,008 <i>D</i>
Passed through Colorado Department of Human Services:			
Food Distribution, Commodities	10.555	4555	238,333 <i>D</i>
<i>Subtotal - National School Lunch Program</i>			<u>1,930,341</u>
Total - U.S Department of Agriculture			<u>2,585,648</u>
Total Expenditures			<u>\$ 9,372,347</u>

Additional Information for Clusters:

A Special Education (IDEA) Cluster	\$ 1,606,012
B Head Start Cluster	1,389,085
C CCDF Cluster	6,583
D Child Nutrition Cluster	2,585,648

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2025:

Note 1. Basis of Presentation:

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Montrose School District RE1-J and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the general purpose financial statements.

Note 2. Determining the Value of Non-cash Awards Expended:

Food Commodities: Fair market value of commodities at the time recipient receives award or the assessed value provided by the federal agency.

Note 3. Indirect Facilities and Administration Costs

The District has elected to use the 10% de minimis cost rate allowed in Title 2 U.S. Code of Federal Regulations (CFR) Part 200.414, Indirect (F&A) costs.

Note 4. Sub recipients:

The District had no sub-recipients as of June 30, 2025.