



**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J  
NORWOOD, COLORADO**

**FINANCIAL STATEMENTS  
AND THE INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2025**

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**

**TABLE OF CONTENTS**

June 30, 2025

**FINANCIAL SECTION**

**Independent Auditor’s Report**..... 1

**Management’s Discussion and Analysis** ..... i

**Basic Financial Statements**

*Government-wide Financial Statements*

Statement of Net Position..... 4

Statement of Activities ..... 5

*Governmental Funds Financial Statements*

Balance Sheet ..... 6

Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position ..... 7

Statement of Revenues, Expenditures and Changes in Fund Balances ..... 8

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities ..... 9

*Notes to the Financial Statements*..... 10

**Required Supplementary Information**

Budgetary Comparison Schedule – General Fund ..... 34

Schedule of Proportionate Share of the Net Pension Liability and Contributions ..... 35

Schedule of Proportionate Share of the Net OPEB Liability and Contributions..... 37

Notes to the Required Supplementary Information..... 39

**Combining and Individual Fund Statements and Budgetary Comparison Schedules**

Combining Balance Sheet - Nonmajor Governmental Funds ..... 41

Combining Statement of Revenues, Expenditures and Changes in  
Fund Balances – Nonmajor Governmental Funds..... 43

Budgetary Comparison Schedules

Food Service Fund..... 45

Debt Service Fund ..... 46

Student Activity Fund..... 47

Capital Projects Fund ..... 48

**COMPLIANCE SECTION**

**State Compliance**

Auditor’s Integrity Report ..... 49

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
San Miguel County School District R-2J  
Norwood, Colorado

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Miguel County School District R-2J (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District, 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, each major fund, and the aggregate remaining fund information of the District as of June 30, 2025, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **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 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents 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 information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**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 accompanying combining and individual fund statements and budgetary comparison schedules and the auditor's integrity report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and budgetary comparison schedules and the auditor's integrity report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*DMC Auditing and Consulting, LLC*

February 2, 2026  
Bailey, Colorado

**Management's Discussion and Analysis**  
**San Miguel County (Norwood) School District R2-JT**  
**June 30, 2025**

As management of the Norwood School District R2-JT (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025.

**Financial Highlights**

The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$847,632 (net position). Of this amount, \$2116,203 is net investment in capital assets, \$132,000 is restricted for emergencies, \$46,611 restricted for preschool, \$0 is restricted for debt service, and \$28,892 restricted for food service, leaving an unrestricted negative net position balance of \$2,476,074

At the end of the current fiscal year, the fund balance for the general fund was \$1,871,093. This is attributable to a conservative approach in budgeting for the school district so the fund balance covers at least three months of operating expenditures.

During the fiscal year, the fund balance in the District's general fund decreased by \$24,087.

**Overview of the Financial Statements**

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

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

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

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

The government-wide financial statements only have governmental activities that are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include instructional services, supporting services (pupil services, instructional staff services, general administration services, school administration services, maintenance and capital asset services, transportation services), food service, and capital outlay. The government-wide financial statements include only the District itself, as the District has no component units. The government-wide financial statements can be found on pages 4 and 5 of this report.

**Fund financial statements.** 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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's fund-types are governmental funds.

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

Because the focus of the 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 impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and nonmajor governmental funds (4). The General Fund is considered to be a major fund.

The District adopts an annual appropriated budget for its General Fund. A budgetary statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 6-9 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-33 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$847,632 at the close of the most recent fiscal year. The net position increased from \$835,234 in the previous year to \$847,632.

The District's net position is in its net investment in capital assets (e.g., land and improvements, buildings, and equipment); less than any related debt used to acquire those assets that is still outstanding, is \$3,116,203, which decreased from the previous year by \$260,590. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Property taxes are levied specifically to fund debt service on general obligation bonds.

**Norwood School District R2-Jt.'s Net Position  
Governmental Activities Totals**

	<u>2024</u>	<u>2025</u>
Current and Other Assets	\$ 2,855,968	\$ 2,543,032
Capital Assets	3,121,431	2,860,841
<b>Total Assets</b>	<b>\$ 5,977,399</b>	<b>\$ 5,677,254</b>
Deferred Outflows	\$ 1,709,173	\$ 1,099,510
Current Liabilities	\$ 327,569	\$ 190,471
Long-term Liabilities	9,802	8,880
Net Pension Liability	5,819,420	5,040,171
Net OPEB Liability	140,516	89,427
<b>Total Liabilities</b>	<b>\$ 6,297,307</b>	<b>\$ 5,328,949</b>
Deferred Inflows	\$ 554,031	\$ 600,173
Net Position:		
Net Investment in Capital Assets	\$ 3,376,793	\$ 3,116,2063
Restricted	307,621	207,503
Unrestricted	(2,849,180)	(2,476,074)
<b>Total Net Position*</b>	<b>\$ 835,234</b>	<b>\$ 847,623</b>

The largest portion of the district's assets, 55%, reflects its investment in capital assets, less accumulated depreciation. 41% of the District's assets are cash and investments. 4% of the District's current liabilities represent accrued salaries and benefits. This liability occurs when teachers and certain other District employees work nine months out of the year but are paid over a full twelve months. Therefore, for each month these employees work, they earn more than they are paid. The liability will be paid in July 2025 over the twelve month period of the employee contract.

There were no long-term liabilities outstanding or debt obligations. The remaining balance of the last Bond was paid in full on November 2022.

**Governmental activities.** Governmental activities increased the District's net position by \$847,632.

**Norwood School District R2-Jt's Changes in Net Position  
Governmental Activities  
Totals**

	<u>2024</u>	<u>2025</u>
<b>Revenues:</b>		
Charges for Services	\$ 68,344	\$ 65,388
Operating Grants	695,796	591,363
Capital Grants	-	-
Property taxes levied for general purposes	747,639	788,800
Property taxes levied for debt services	-	-
State Equalization	2,922,721	3,221,227
Specific Ownership Taxes	42,420	50,476
Investment Earnings	46,711	52,519
Miscellaneous Revenue	60,449	35,843
<b>Total Revenues</b>	<b>\$ 3,819,940</b>	<b>\$ 4,148,865</b>
<b>Expenses:</b>		
Instructional Services	\$ 2,438,624	2,427,964
Supporting Services	2,204,868	2,214,281
Food Services	152,544	143,576
Fiscal Charge on Long Term Debt	500	250
<b>Total Expenses</b>	<b>\$ 4,796,536</b>	<b>\$ 4,793,218</b>
Change in Net Position	(\$ 212,456)	\$ 12,398
Net Position Beginning, as Originally Stated	1,083,550	835,234
Restatement, Correction of an Error	(35,860)	-
Net Position Beginning, as Restated	1,047,690	835,234
<b>Net Position Ending</b>	<b>\$ 835,234</b>	<b>\$ 847,632</b>

Key elements of the change in net position are as follows:

State equalization aid increased by \$298,506 during the fiscal year. Property taxes levied for general purposes increased. Some of the increase is the product of the Colorado Public School Finance Act, which 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. GASB 68 and 75 caused decreases in many expense categories this year due to the State PERA funding and benefit factors.

Salary and benefit expenditures account for 75% of total expenditures in the general fund.

GASB 68 and 75 continue to have a major impact on the net position and expenses of the District in the statement of activities and statement of net position.

**Governmental funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,871,093. *Unassigned fund balance* is \$1,692,482. A restricted fund balance of \$132,000 must be set aside for emergencies (TABOR).

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the total fund balance was \$1,871,093.

The fund balance of the District's General Fund decreased by \$24,087 during the current fiscal year.

### **General Fund Budgetary Highlights**

There were minor amendments to the General Fund budget, but there were no significant variances from budget to actual noteworthy.

**Capital assets.** The District's capital assets for its governmental activities as of June 30, 2025, amount to \$255,362 for capital assets, not being depreciated, and \$2,860,841 of capital assets, being depreciated (net of accumulated depreciation).

**Long-term debt.** At the end of the current fiscal year, the District had no total outstanding debt.

### **Economic Factors and Next Year's Budgets**

The District's enrollment showed a slight increase from the previous year and has held steady into FY23-24. Trends in enrollment directly impact the school district's budget for funding. Rising inflation costs and any State budget cuts directly affect the State of Colorado's funding formula for school districts in the future. With the implantation of Universal PreK, CPP funds, which were previously included in the State Equalization funds, are now paid based on PreK enrollment through a monthly UPK funding mechanism. Funding for 3 Year Olds is paid separately (using a 5 year look back period of the CPP Funding for the first year).

The District is being faced with the need for more reliable transportation, along with structural maintenance and facilities costs. A new bus will be purchased using FY23-24 funds. The District was awarded the BEST funding through CDE to assist in covering the costs of a new facility. Land has also been obtained by purchase from the Town of Norwood.

Rising costs of health insurance for our staff benefit program means the District has to be very resourceful in purchasing goods and services. Salary increases to our staff are somewhat keeping up with inflation with the passing of the mill-levy override in 2007, however, we are still making strides to move the base pay to a more equitable level.

### **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's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Norwood School District R2- JT, Finance Manager, and P.O. Box 448, Norwood, Colorado 81423

## **BASIC FINANCIAL STATEMENTS**

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**

STATEMENT OF NET POSITION

June 30, 2025

	<u>PRIMARY</u> <u>GOVERNMENT</u> <u>GOVERNMENTAL</u> <u>ACTIVITIES</u>
<b>ASSETS</b>	
Cash and Investments	\$ 2,335,525
Accounts Receivable	21,790
Grants Receivable	43,907
Taxes Receivable	125,924
Inventories	15,886
Capital Assets, <i>Not Being Depreciated</i>	255,362
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>2,860,841</u>
<b>TOTAL ASSETS</b>	<u>5,659,235</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions, <i>Net of Accumulated Amortization</i>	1,099,510
OPEB, <i>Net of Accumulated Amortization</i>	<u>18,009</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,117,519</u>
<b>LIABILITIES</b>	
Accounts Payable	35,779
Accrued Salaries and Benefits	154,685
Unearned Revenue	7
Noncurrent Liabilities	
Due Within One Year	8,880
Net Pension Liability	5,040,171
Net OPEB Liability	<u>89,427</u>
<b>TOTAL LIABILITIES</b>	<u>5,328,949</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions, <i>Net of Accumulated Amortization</i>	524,172
OPEB, <i>Net of Accumulated Amortization</i>	<u>76,001</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>600,173</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	3,116,203
Restricted for:	
Emergencies	132,000
Preschool	46,611
Debt Service	
Food Service	28,892
Unrestricted	<u>(2,476,074)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 847,632</u>

*See Notes to the Financial Statements.*

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2025

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT
PRIMARY GOVERNMENT				GOVERNMENTAL ACTIVITIES
<b>Governmental Activities</b>				
Instruction	\$ 2,427,964	\$ 52,867	\$ 223,322	\$ (2,151,775)
Supporting Services	2,221,428	6,857	279,494	(1,935,077)
Food Services	143,576	5,664	88,547	(49,365)
Fiscal Charges on Long-Term Debt	250	-	-	(250)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 4,793,218</b>	<b>\$ 65,388</b>	<b>\$ 591,363</b>	<b>(4,136,467)</b>
<b>GENERAL REVENUES</b>				
				788,800
Property Taxes				50,476
Specific Ownership Taxes				3,221,227
State Equalization				52,519
Investment Income				35,843
Other				4,148,865
				<b>TOTAL GENERAL REVENUES</b>
				<b>4,148,865</b>
				<b>CHANGE IN NET POSITION</b>
				12,398
				<b>NET POSITION, Beginning</b>
				835,234
				<b>NET POSITION, Ending</b>
				<b>\$ 847,632</b>

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2025

	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
<b>ASSETS</b>			
Cash and Investments	\$ 1,976,060	\$ 359,465	\$ 2,335,525
Accounts Receivable	21,790	-	21,790
Taxes Receivable	125,924	-	125,924
Grants Receivable	43,907	-	43,907
Inventories	-	15,886	15,886
	<u>2,167,681</u>	<u>375,351</u>	<u>2,543,032</u>
<b>TOTAL ASSETS</b>	<b>\$ 2,167,681</b>	<b>\$ 375,351</b>	<b>\$ 2,543,032</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 34,969	\$ 810	\$ 35,779
Accrued Salaries and Benefits	153,562	1,123	154,685
Unearned Revenue	-	7	7
	<u>188,531</u>	<u>1,940</u>	<u>190,471</u>
<b>TOTAL LIABILITIES</b>	<b>188,531</b>	<b>1,940</b>	<b>190,471</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	108,057	-	108,057
	<u>108,057</u>	<u>-</u>	<u>108,057</u>
<b>FUND BALANCES</b>			
Nonspendable Inventories	-	15,886	15,886
Restricted for:			
Emergencies	132,000	-	132,000
Preschool	46,611	-	46,611
Debt Service	-	128,756	128,756
Food Service	-	28,892	28,892
Capital Projects	-	106,724	106,724
Assigned to Student Activities	-	93,153	93,153
Unassigned	1,692,482	-	1,692,482
	<u>1,871,093</u>	<u>373,411</u>	<u>2,244,504</u>
<b>TOTAL FUND BALANCES</b>	<b>1,871,093</b>	<b>373,411</b>	<b>2,244,504</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,167,681</b>	<b>\$ 375,351</b>	<b>\$ 2,543,032</b>

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
June 30, 2025

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

Total Fund Balances of Governmental Funds	\$	2,244,504
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		3,116,203
Long-term assets are not available to pay current year expenditures and, therefore, are deferred in governmental funds. This amount represents property taxes earned but not available as current financial resources.		108,057
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:		
Accrued Compensated Absences		(8,880)
Net Pension Liability		(5,040,171)
Pension-Related Deferred Outflows of Resources		1,099,510
Pension-Related Deferred Inflows of Resources		(524,172)
Net OPEB Liability		(89,427)
OPEB-Related Deferred Outflows of Resources		18,009
OPEB-Related Deferred Inflows of Resources		(76,001)
		(847,632)
Total Net Position of Governmental Activities	\$	847,632

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year Ended June 30, 2025

	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
<b>REVENUES</b>			
Local Sources	\$ 932,735	\$ 68,943	\$ 1,001,678
County Sources	7,153	-	7,153
State Sources	3,539,072	36,181	3,575,253
Federal Sources	177,791	52,366	230,157
<b>TOTAL REVENUES</b>	<b>4,656,751</b>	<b>157,490</b>	<b>4,814,241</b>
<b>EXPENDITURES</b>			
<b>Current</b>			
Instruction	2,328,619	54,993	2,383,612
Supporting Services	2,118,126	-	2,118,126
Food Service	-	147,011	147,011
Capital Outlay	77,093	-	77,093
Debt Service			
Fiscal Charges	-	250	250
<b>TOTAL EXPENDITURES</b>	<b>4,523,838</b>	<b>202,254</b>	<b>4,726,092</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>132,913</b>	<b>(44,764)</b>	<b>88,149</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	157,000	157,000
Transfers Out	(157,000)	-	(157,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(157,000)</b>	<b>157,000</b>	<b>-</b>
<b>CHANGES IN FUND BALANCES</b>	<b>(24,087)</b>	<b>112,236</b>	<b>88,149</b>
FUND BALANCES, Beginning	1,895,180	261,175	2,156,355
FUND BALANCES, Ending	\$ 1,871,093	\$ 373,411	\$ 2,244,504

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2025

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Net Change in Fund Balances of Governmental Funds	\$	88,149
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:		
Capital outlay		18,025
Depreciation expense		(278,615)
Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized in the government-wide financial statements. This amount represents the change in deferred property taxes.		
		(8,625)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the changes in the following:		
Accrued Compensated Absences		922
Net Pension Liability		779,249
Pension-Related Deferred Outflows of Resources		(584,641)
Pension-Related Deferred Inflows of Resources		(35,208)
Net OPEB Liability		51,089
OPEB-Related Deferred Outflows of Resources		(7,013)
OPEB-Related Deferred Inflows of Resources		(10,934)
		(10,934)
Change in Net Position of Governmental Activities	\$	12,398

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 1: Summary of Significant Accounting Policies**

The accounting policies of the San Miguel County School District R-2J (the District) conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the District's more significant policies.

**Reporting Entity**

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the District. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the District. Legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the District.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the District and its component units. For the most part, the effect of interfund activity has been removed from these financial statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which are supported by taxes and intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or other customers 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the governmental funds, blended component units, proprietary funds, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and other significant funds identified by management are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

In the 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 required to be accounted for in another fund. The General Fund includes the Preschool Program Activity.

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2025

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current year. The District considers all other revenues to be available if they are collected within 180 days of the end of the current year.

Taxes, intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance / Net Position**

*Cash and Investments* – The District utilizes the pooled cash concept whereby cash balances of each of the District's funds are pooled and invested by the District. Investments are reported at fair value.

*Receivables* - Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Property taxes levied for the current year but not received at year end are reported as taxes receivable and are presented net of an allowance for uncollectible taxes. Grant reimbursements not received before year-end for which eligibility has been met and expenditures have been incurred are reported as grants receivable.

*Inventories* – Food Service Fund inventories are recorded as an asset when individual items are purchased and as an expenditure when consumed. Inventories are stated at cost on a first-in, first-out (FIFO) basis, and consist of purchased and donated commodities. Purchased inventories are recorded at cost. Donated inventories, received at no cost under a program supported by the federal government, are valued at the cost furnished by the federal government.

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2025

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance / Net Position (Continued)**

*Capital Assets* – Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Land Improvements	10 – 20 years
Buildings and Building Improvements	5 – 40 years
Equipment	3 – 20 years
Vehicles	5 – 10 years

Subscription-based information technology assets (SBITAs) are reported in the government-wide financial statements. SBITAs are recognized as multi-year noncancellable agreements amortized over the period of the agreement on a straight-line basis.

*Deferred Outflows of Resources* – This separate financial statement element represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources until then.

*Accrued Salaries and Benefits* – Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability in the financial statements.

*Unearned Revenue* – Unearned revenues include grants that have been collected but the corresponding expenditures have not been incurred and the eligibility criteria have not been met. This may also include prepaid customer fees for food service.

*Deferred Inflows of Resources* – This separate financial statement element represents an acquisition of net assets by the District that is applicable to a future reporting period. Deferred inflows of resources in the governmental fund financial statements include property taxes earned but not available as current financial resources.

*Long-Term Debt* – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts and accounting losses resulting from debt refundings are deferred and amortized over the life of the debt using the effective interest method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Debt issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance / Net Position (Continued)**

*Compensated Absences* – Personnel accrue discretionary days based on the number of days worked in a year. Employees may accumulate up to 30 days of leave. Unused accumulated leave benefits are paid upon separation/termination at \$20 per day. These compensated absences are recognized as expenditures in the governmental funds when due. Long-term liability is reported in the government-wide financial statements for the accrued compensated absences when earned.

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

*Postemployment Benefits Other Than Pensions (OPEB)* – The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees’ Retirement Association of Colorado (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 and deductions from the HCTF’s fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees. Investments are reported at fair value.

*Net Position/Fund Balances* – In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. In the fund financial statements, governmental funds report committed fund balances when the Board of Education formally commits resources for a specific purpose through passage of a resolution. The Board of Education has delegated to the Superintendent and his designee the authority to assign fund balances to be used for specific purposes.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, District policy requires restricted fund balance to be used first, followed by committed, assigned, and unassigned balances.

**Property Taxes**

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and are collected in the subsequent calendar year. Taxes are payable in full on April 30, or in two installments on February 28 and June 15. The County Treasurer’s Office collects property taxes and remits to the District on a monthly basis. When taxes become delinquent, the property is sold on the tax sale date.

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2025

**NOTE 2: Cash and Investments**

At June 30, 2025, the District had the following cash and investments:

Deposits	\$ 1,090,145
Investments	1,245,374
	\$ 2,335,519
Total	\$ 2,335,519

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2025, the District had bank deposits of \$889,168 collateralized with securities held by the financial institution's agent but not in the District's name.

**Investments**

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

*Fair Value Measurements* - At June 30, 2025, the District's investments in the local government investment pool reported at the net asset value per share. The District's money markets were measured utilizing the fair value hierarchy at Level 2 as inputs other than quoted prices.

The fair value measurements are categorized by the fair value hierarchy. Valuation inputs are used to measure the fair value of the asset to determine the appropriate category. The categories range from Level 1, which is the highest priority, to Level 3, which is the lower priority and are based on the following criteria:

Level 1 – Unadjusted quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in the active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are observable.

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 2: Cash and Investments (Continued)**

**Investments (Continued)**

*Interest Rate Risk* - State statutes generally limit investments to an original maturity of five years from the date of purchase unless the governing board authorizes the investment for a period in excess of five years.

*Credit Risk* - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations (NRSROs).

The District's investments in the Morgan Stanley Institutional Liquidity Funds are rated AAAM by Fitch's Rating Agency, a nationally recognized statistical rating organization (NSRO) in the amount of \$128,756.

*Concentration of Credit Risk* - State statutes do not limit the amount the District may invest in a single issuer of investment securities, except for corporate securities.

*Local Government Investment Pools* - At June 30, 2024, the District had \$1,116,618 invested in the Colorado Local Government Liquid Asset Trust (ColoTrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Pool. The Pool operates in conformity with the Securities and Exchange Commission's Rule 2a-7. The Pool is reported at the net asset value per share, with each share valued at \$1. The Pool is rated AAAM by Standard and Poor's. Investments of the Pool are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

**NOTE 3: Interfund Balances and Transfers**

During the fiscal year ended June 30, 2025, the General Fund transferred \$57,000 to the Food Service Fund to subsidize food and labor costs. The General Fund also transferred \$100,000 to the Capital Projects funds to subsidize future capital projects.

**NOTE 4: Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District participates in the Colorado School Schools Self Insurance Pool for all risks of loss except workers compensation, for which it utilizes a commercial insurance carrier.

The Colorado School Districts Self Insurance Pool (CSDSIP) operates as a self-insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The CSDSIP is administered by a governing board. The District pays an annual premium to the CSDSIP for various types of property and liability insurance coverage. The CSDSIP's agreement provides that the CSDSIP will be self-sustaining through member premiums and will reinsure through a duly authorized insurer. The reinsurance covers claims against the CSDSIP in excess of specific claim amounts and in the aggregate in an amount and at limits determined by the CSDSIP to be adequate to protect the solvency of the CSDSIP.

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2025

**NOTE 5: Capital Assets**

Capital asset activity for the year ended June 30, 2025, is summarized below.

	Balance 6/30/2024	Additions	Deletions	Balance 6/30/2025
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 255,362	\$ -	\$ -	\$ 255,362
Capital Assets, Being Depreciated:				
Buildings	6,186,049	-	-	6,186,049
Land Improvements	174,044	18,025	-	192,069
Vehicles and Equipment	1,251,535	-	-	1,251,535
Total Capital Assets, Being Depreciated	7,611,628	18,025	-	7,629,653
Less Accumulated Depreciation:				
Buildings	(3,386,380)	(164,921)	-	(3,551,301)
Land Improvements	(136,263)	(4,584)	-	(140,847)
Vehicles and Equipment	(967,554)	(109,110)	-	(1,076,664)
Total Accumulated Depreciation	(4,490,197)	(278,615)	-	(4,768,812)
Total Capital Assets, Being Depreciated, Net	3,121,431	(260,590)	-	2,860,841
Capital Assets, Governmental Activities, Net	\$ 3,376,793	\$ (260,590)	\$ -	\$ 3,116,203
Depreciation expense of the governmental activities was charged to programs of the District as follows:				
Instruction				\$ 153,073
Supporting Services				123,646
Food Service				1,896
Total				\$ 278,615

**NOTE 6: Long-Term Debt**

Following is a summary of long-term debt transactions for the year ended June 30, 2025.

	Balance 6/30/2024	Additions	Reductions	Balance 6/30/2025	Due Within One Year
<b>Governmental Activities</b>					
Compensated Absences	\$ 9,075	\$ -	\$ 195	\$ 8,880	\$ 8,880

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 7: Defined Benefit Pension Plan**

**General Information**

*Plan Description* - The District contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the District participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), administrative rules set at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code assign the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available annual comprehensive financial report, that includes information on the SDTF, which may be obtained at <https://www.copera.org/forms-resources/financial-reports-and-studies>.

*Benefits Provided as of December 31, 2024* - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary over five years multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In all cases, the benefit amount may not exceed the highest average salary, or the amount allowed by applicable federal regulations.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers, while 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 of employment was terminated, whether five 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 CRS Subject to the automatic adjustment provision (AAP) under CRS § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, will receive the maximum annual increase (AI) or AI cap of 1% 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% 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). The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in CRS § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of 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 in place, and the qualified survivor receiving the benefits.

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2025

**NOTE 7: Defined Benefit Pension Plan (Continued)**

**General Information (Continued)**

*Contributions provisions as of June 30, 2025* - The District, State, and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees was 11% for the period from July 1, 2024, through June 30, 2025. The District's contribution rate for the fiscal year was 21.40% of covered salaries. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (Note 8). The District's contributions to the SDTF for the year ended June 30, 2025, were \$465,914, equal to the required contributions at a contribution rate of 20.38%.

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

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

The net pension liability was measured at 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 SDTF for the calendar year ended December 31, 2024, relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At December 31, 2024, the District's proportion was 0.0292100847%, which was a decrease of 0.0036988167% from its proportion measured at December 31, 2023.

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability that reflected an increase for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 5,040,171
State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	452,687
	452,687
Total	\$ 5,492,858

For the year ended June 30, 2025, the District recognized pension expense of \$320,527 and a revenue of (\$41,317) for support from the State as a nonemployer contributing entity. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 7: Defined Benefit Pension Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 285,418	\$ -
Changes of assumptions and other inputs	37,787	-
Net difference between projected and actual earnings on plan investments	95,091	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	438,540	524,172
Contributions subsequent to the measurement date	242,674	-
<b>Total</b>	<b>\$ 1,099,510</b>	<b>\$ 524,172</b>

District contributions subsequent to the measurement date of \$242,674 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2026	\$ 316,271
2027	296,100
2028	(211,886)
2029	(67,821)
<b>Total</b>	<b>\$ 332,664</b>

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2023, determined the total pension liability using the following 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 plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
Hired prior to 1/1/07	
thereafter, compounded annually	1.00%
Hired after 12/31/06	Financed by the AIR

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 7: Defined Benefit Pension Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Post-retirement benefit increases are provided by the annual increase reserve, accounted for separately in SDTF, and subject to resources being available. Therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

Mortality assumptions were developed on a benefit-weighted basis and apply generational mortality, as follows. All categories of the mortality tables are generationally projected using scale MP-2019.

- Pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table.
- Post-retirement (retiree) non-disabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows: 1) males: 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, and 2) females: 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older.
- Post-retirement (beneficiary) non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows: 1) males: 97% of the rates for all ages, and 2) females: 105% of the rates for all ages.
- Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages.

The actuarial assumptions used in the December 31, 2023, valuation were based on the results of 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 of Directors at their November 20, 2020, meeting.

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 of Directors 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 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. All of the following categories for the mortality tables are generationally projected using the 2024 adjusted MP-2021 projection scale.

- Pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table.
- Post-retirement (retiree) non-disabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows: 1) males: 106% of the rates for all ages, and 2) females: 86% of the rates prior to age 85 and 115% of the rates for ages 85 and older.

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 7: Defined Benefit Pension Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

- Post-retirement (beneficiary) non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows: 1) males: 92% of the rates for all ages, and 2) females: 100% of the rates for all ages.
- Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 95% of the rates for all ages.

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 weighing 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, PERA’s Board of Directors reaffirmed the assumed rate of return at the PERA Board of Director's 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	<u>100.00%</u>	

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 to the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 7: Defined Benefit Pension Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

- 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%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan participants were used to reduce the estimated amount of total service costs for future plan members.
- District 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, required adjustments resulting from the 2018 and 2020 AAP assessments. District 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 District contributions reflect reductions for the funding of the annual increase reserve and retiree health care benefits. For future plan members, District 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, commencing July 1, 2018, that is proportioned between the PERA Division Trust Funds, including SDTF, based upon the covered payroll. The annual direct distribution ceases when all PERA Division Trust Funds are fully funded.
- District contributions and the amount of total service costs for future plan participants were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The annual increase reserve balance was excluded from the initial fund net position, as, per statute, annual increase reserve amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. Annual increase reserve transfers to the fiduciary net position and the subsequent annual increase reserve 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 SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current participants. 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.

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 7: Defined Benefit Pension Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as the District's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	<u>\$ 6,833,303</u>	<u>\$ 5,040,171</u>	<u>\$ 3,538,171</u>

*Pension Plan Fiduciary Net Position* - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued annual comprehensive financial report, which may be obtained at <https://www.copera.org/forms-resources/financial-reports-and-studies>.

**NOTE 8: Postemployment Healthcare Benefits**

**General Information**

*Plan Description* - All employees of the District are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS), as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. CRS provisions may be amended by the Colorado General Assembly. PERA issues a publicly available financial report, that includes information on the HCTF, which may be obtained at <https://www.copera.org/forms-resources/financial-reports-and-studies>.

*Benefits Provided* - The HCTF provides a healthcare premium subsidy to eligible participating benefit recipients and retirees who choose to enroll in one of the PERA health care plans. However, the subsidy is not available if benefit recipients or retirees are only enrolled in the dental and/or vision plan(s). Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member's years of service credit. The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contributions account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

CRS § 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 are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 8: Postemployment Healthcare Benefits (Continued)**

**General Information (Continued)**

Enrollment in the PERACare health benefits program is voluntary and 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, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced by 5% for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

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, CRS § 24-51-1206(4) provides an additional subsidy. According to the State 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 on behalf of recipients not covered by Medicare Part A.

*Contributions* - As established by Title 24, Article 51, Section 208(1)(f) of the CRS, as amended, 1.02% of the District's contributions to the School Division Trust Fund (SDTF) (Note 7) are apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The District's apportionment to the HCTF for the year ended June 30, 2025, was \$23,319, equal to the required amount.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2025, the District reported a net OPEB liability of \$89,427, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at 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's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year ended December 31, 2024, relative to the contributions of all participating employers.

At December 31, 2024, the District's proportion was 0.0187020047%, which was a decrease of 0.0009856130% from its proportion measured at December 31, 2023.

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2025

**NOTE 8: Postemployment Healthcare Benefits (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

For the year ended June 30, 2025, the District recognized OPEB expense of (\$9,120). 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
Differences between expected and actual experience	\$ -	\$ 19,727
Changes of assumptions and other inputs	1,025	28,584
Net difference between projected and actual earnings on plan investments	307	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	4,531	27,690
Contributions subsequent to the measurement date	12,146	-
Total	<u>\$ 18,009</u>	<u>\$ 76,001</u>

District contributions subsequent to the measurement date of \$12,146 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>	
2026	\$ (18,764)
2027	(12,911)
2028	(18,503)
2029	(9,760)
2030	(6,856)
2031	<u>(3,344)</u>
Total	<u>\$ (70,138)</u>

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2023, determined the total OPEB liability using the following actuarial cost method, actuarial assumptions, and other inputs, applied to all periods included in the measurement.

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 8: Postemployment Healthcare Benefits (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

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:	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
16% in 2024, then 6.75% in 2025, gradually decreasing to 4.5% in 2034	
MAPD PPO #2	
105% in 2024, then 8.55% in 2025, gradually decreasing to 4.50% in 2034	
Medicare Part A premiums:	
3.5% in 2024, gradually increasing to 4.5% in 2033	

The total OPEB liability for the HCTF, as of the December 31, 2024, measurement date, was adjusted to reflect the disaffiliation of Tri-County Health Department (Tri-County Health), effective December 31, 2022. The additional employer disaffiliation payment allocation to the HCTF and the Local Government Division Trust Fund were \$0.020 million and \$0.486 million, respectively.

Annually, the per capita health care costs are developed by plan option. At December 31, 2023, actuarial valuation and 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 are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies to all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

**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%

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 8: Postemployment Healthcare Benefits (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2023, valuation, the following monthly costs/premium are assumed for 2024 for the PERA Benefit Structure:

Sample Age	MAPD PPO #1 with Medicare		MAPD PPO #2 with Medicare		MAPD HMO (Kaiser) with Medicare	
	Part A for Retiree / Spouse		Part A for Retiree / Spouse		Part A for 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		MAPD PPO #2 without Medicare		MAPD HMO (Kaiser) without Medicare	
	Part A for Retiree / Spouse		Part A for Retiree / Spouse		Part A for 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.

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and 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. 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 reflect the estimated impact of the Inflation Reduction Act for that plan option.

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2025

**NOTE 8: Postemployment Healthcare Benefits (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

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

Measurement Year	PERACare Medicare Plans *	PERACare Medicare Plans *	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%

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

Mortality assumptions used in the December 31, 2023, valuation for the determination of the total pension liability, reflect generational mortality and were applied, as applicable, in the December 31, 2023, valuation for the HCTF, but developed using a headcount-weighted basis. SDTF participates in the HCTF (Note 7). All categories of the mortality tables are generationally projected using scale MP-2019. Mortality assumptions used were as follows:

- The pre-retirement mortality assumptions for the SDTF were based upon the PubT-2010 Employee Table.
- Post-retirement non-disabled mortality assumptions for the SDTF were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows: 1) males: 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, and 2) females: 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older.
- Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages.

The health care costs assumptions were updated and used in the roll-forward calculation for the HCTF. Per capita health care costs as of the December 31, 2023, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older and are not eligible for premium-free Medicare Part A benefits were updated to reflect the costs for the 2024 plan year. The healthcare cost trend rates applicable to health care premiums were revised to reflect the then-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 rate based on an experience analysis of recent data.

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2025

**NOTE 8: Postemployment Healthcare Benefits (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

The actuarial assumptions used in the December 31, 2023, valuations were based on the results of the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board of Directors at their November 20, 2020, meeting.

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 of Directors 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.

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

- Salary increases, including wage inflation for the SDTF were 4% - 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.
- Participation rates were reduced.
- MAPD premium costs are no longer age graded.

Plan	With Medicare Part A	Without Medicare Part A
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. All categories in 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 SDTF participate in the HCTF (Note 7).

- The pre-retirement mortality assumptions for the SDTF were based upon the PubG-2010 Employee Table.
- Post-retirement non-disabled mortality assumptions for the SDTF were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows: 1) males: 106% of the rates for all ages, and 2) females: 86% of the rates prior to age 85 and 115% of the rates for ages 85 and older.
- Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 95% of the rates for all ages.

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 of Director’s actuary.

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 8: Postemployment Healthcare Benefits (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (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 weighing 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 PERA Board of Director’s meetings on November 15, 2019, and the September 20, 2024.

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	<u>100.00%</u>	

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 OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions. 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%.

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2025

**NOTE 8: Postemployment Healthcare Benefits (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

- 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.
- As of December 31, 2024, measurement date, the fiduciary net position, and related disclosure components for the HCTF reflect payments related to disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. The employer disaffiliation payment and receivable 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 HCTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% 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 Health Care Cost Trend Rates.* The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate**	5.75%	6.75%	7.75%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial MAPD PPO#2 trend rate**	7.55%	8.55%	9.55%
Ultimate MAPD PPO#2 trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate**	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 87,017	\$ 89,427	\$ 92,154

\*\* For the January 1, 2025, plan year.

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 8: Postemployment Healthcare Benefits (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

*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	\$ 109,594	\$ 89,427	\$ 72,040

*OPEB Plan Fiduciary Net Position* - Detailed information about the HCTF's fiduciary net position is available in PERA's separately issued annual comprehensive financial report, which may be obtained at <https://www.copera.org/forms-resources/financial-reports-and-studies>.

**NOTE 8: Commitments and Contingencies**

**Claims and Judgments**

The District participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. At June 30, 2024, significant amounts of grant expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

**Tabor Amendment**

In November 1992, Colorado voters passed Article X, Section 20 (the Amendment) to the State Constitution which limits state and local government taxing powers and imposes spending limits. The District is subject to the Amendment.

In November 1997, voters within the District authorized the District to collect and to expend the full revenues received by the District from any source in the current fiscal year and in each fiscal year thereafter, notwithstanding the limits of the Amendment effective January 1, 1998. The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment.

The Amendment requires the District to establish a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2025, the District's emergency reserve was reported as restricted fund balance in the General Fund in the amount of \$132,000.

**Litigation**

The District from time to time is involved in various legal matters. In the opinion of the District's counsel, there are no pending legal issues that would have a material adverse effect on the financial condition of the District.

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 9: Joint Venture**

The District is a member of the Uncompahgre Board of Cooperative Services (BOCES), a joint venture of five local school districts. The BOCES is governed by a board formed of one board member from each member district. The participants oversee budgeting and finance. In 2025, the District contributed \$24,649 to BOCES.

**NOTE 10: Subsequent Events**

On November 4, 2025, the District passed a resolution and ballot measure for the issuance of a general obligation bond and the related levy of property taxes to pay the debt in the amount of \$8,000,000 with a \$600,000 contribution from the District's reserves. In addition, the District was awarded the Building Excellent Schools Today Act (BEST) grant from the State of Colorado in the amount of \$52,290,444 along with a \$8,000,000 loan for the purpose of constructing and equipping a replacement school facility on a new site, creating safe learning environments, and instructional space improvements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
Year Ended June 30, 2025

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 534,880	\$ 534,880	\$ 797,425	\$ 262,545
Specific Ownership Taxes	33,652	33,652	50,476	16,824
Tuition and Fees	1,000	1,000	500	(500)
Rental Income	-	-	2,657	2,657
Investment Income	16,000	16,000	45,079	29,079
Miscellaneous	82,900	82,900	36,598	(46,302)
County Sources	5,500	5,500	7,153	1,653
State Grants	3,231,095	3,479,406	3,539,072	59,666
Federal Grants	53,858	54,332	177,791	123,459
<b>TOTAL REVENUES</b>	<b>3,958,885</b>	<b>4,207,670</b>	<b>4,656,751</b>	<b>184,778</b>
<b>EXPENDITURES</b>				
Current				
Instruction	2,598,522	2,592,151	2,328,619	263,532
Supporting Services				
Students	321,768	321,768	235,217	86,551
Instructional Staff	21,700	21,700	105,574	(83,874)
General Administration	279,734	279,734	212,976	66,758
School Administration	339,198	367,778	343,413	24,365
Business Services	107,413	124,612	171,279	(46,667)
Operations and Maintenance	808,307	808,307	644,611	163,696
Student Transportation	250,409	256,409	216,494	39,915
Central Support	208,045	208,045	152,327	55,718
Other Support	-	-	36,235	(36,235)
<b>Total Supporting Services</b>	<b>2,336,574</b>	<b>2,388,353</b>	<b>2,118,126</b>	<b>306,462</b>
Capital Outlay	50,000	50,000	77,093	(27,093)
<b>TOTAL EXPENDITURES</b>	<b>4,985,096</b>	<b>5,030,504</b>	<b>4,523,838</b>	<b>542,901</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,026,211)</b>	<b>(822,834)</b>	<b>132,913</b>	<b>955,747</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(100,000)	(100,000)	(157,000)	(57,000)
<b>CHANGE IN FUND BALANCE</b>	<b>(1,126,211)</b>	<b>(922,834)</b>	<b>(24,087)</b>	<b>898,747</b>
FUND BALANCE, Beginning	1,672,488	1,895,180	1,895,180	-
FUND BALANCE, Ending	\$ 546,277	\$ 972,346	\$ 1,871,093	\$ 898,747

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS**  
**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND**  
June 30, 2025

<b>MEASUREMENT YEAR</b>	<u>12/31/24</u>	<u>12/31/23</u>	<u>12/31/22</u>	<u>12/31/21</u>
<b>PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>				
District's Proportion of the Net Pension Liability	0.0292100847%	0.0329089014%	0.0257175710%	0.0332165290%
District's Proportionate Share of the Net Pension Liability	\$ 5,040,171	\$ 5,819,420	\$ 4,683,032	\$ 3,865,529
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>452,687</u>	<u>127,603</u>	<u>1,364,683</u>	<u>397,559</u>
Total Proportionate Share of the Net Pension Liability	<u>\$ 5,492,858</u>	<u>\$ 5,947,023</u>	<u>\$ 6,047,715</u>	<u>\$ 4,263,088</u>
District's Covered Payroll	\$ 2,257,196	\$ 2,175,575	\$ 1,983,559	\$ 2,075,929
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	223%	267%	236%	186%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67%	65%	62%	75%
<b>FISCAL YEAR</b>	<u>6/30/25</u>	<u>6/30/24</u>	<u>6/30/23</u>	<u>6/30/22</u>
<b>DISTRICT'S CONTRIBUTIONS</b>				
Statutorily Required Contribution	\$ 465,914	\$ 450,786	\$ 419,577	\$ 392,602
Contributions in Relation to the Statutorily Required Contribution	<u>(465,914)</u>	<u>(450,786)</u>	<u>(419,577)</u>	<u>(392,602)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,286,130	\$ 2,211,901	\$ 2,058,769	\$ 1,974,839
Contributions as a Percentage of Covered Payroll	20.38%	20.38%	20.38%	19.88%

<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>
0.0357338402%	0.0315909723%	0.0347787173%	0.0413596313%	0.0423412195%	0.0453859193%
\$ 5,402,236	\$ 4,719,623	\$ 6,158,286	\$ 13,374,234	\$ 12,606,618	\$ 6,941,456
<u>-</u>	<u>531,243</u>	<u>740,770</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 5,402,236</u>	<u>\$ 5,250,866</u>	<u>\$ 6,899,056</u>	<u>\$ 13,374,234</u>	<u>\$ 12,606,618</u>	<u>\$ 6,941,456</u>
\$ 1,911,491	\$ 1,856,447	\$ 1,886,726	\$ 1,906,570	\$ 1,899,814	\$ 1,977,906
283%	254%	326%	701%	664%	351%
67%	65%	57%	44%	43%	59%
<u>6/30/21</u>	<u>06/30/20</u>	<u>06/30/19</u>	<u>06/30/18</u>	<u>06/30/17</u>	<u>06/30/16</u>
\$ 401,566	\$ 368,691	\$ 358,864	\$ 364,185	\$ 347,543	\$ 364,185
<u>(401,566)</u>	<u>(368,691)</u>	<u>(358,864)</u>	<u>(364,185)</u>	<u>(347,543)</u>	<u>(364,185)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,019,947	\$ 1,902,427	\$ 1,875,919	\$ 1,929,060	\$ 1,890,886	\$ 1,977,906
19.88%	19.38%	19.13%	18.88%	18.38%	18.41%

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND CONTRIBUTIONS**  
**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO HEALTH CARE TRUST FUND**  
June 30, 2025

<b>MEASUREMENT YEAR</b>	<u>12/31/24</u>	<u>12/31/23</u>	<u>12/31/22</u>	<u>12/31/21</u>
<b>PROPORTIONATE SHARE OF THE NET OPEB LIABILITY</b>				
District's Proportion of the Net OPEB Liability	0.0187020047%	0.0196876177%	0.0195469761%	0.0216878789%
District's Proportionate Share of the Net OPEB Liability	\$ 89,427	\$ 140,516	\$ 159,597	\$ 187,016
District's Covered Payroll	\$ 2,257,196	\$ 2,175,575	\$ 1,983,559	\$ 2,075,929
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	4%	6%	8%	9%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	60%	46%	39%	39%
<b>FISCAL YEAR</b>	<u>6/30/25</u>	<u>6/30/24</u>	<u>6/30/23</u>	<u>6/30/22</u>
<b>DISTRICT'S CONTRIBUTIONS</b>				
Statutorily Required Contribution	\$ 23,319	\$ 22,561	\$ 20,999	\$ 20,143
Contributions in Relation to the Statutorily Required Contribution	<u>(23,319)</u>	<u>(22,561)</u>	<u>(20,999)</u>	<u>(20,143)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,286,130	\$ 2,211,901	\$ 2,058,769	\$ 1,974,839
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%

This schedule is presented to show information for 10 years.  
Information will be presented for the 10 years when available.

<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>
0.0206704441%	0.0206464997%	0.0226063407%	0.0235003809%
\$ 196,416	\$ 1,191,933	\$ 1,448,212	\$ 1,398,864
\$ 1,911,491	\$ 1,856,447	\$ 1,886,726	\$ 1,906,570
10%	64%	77%	73%
33%	24%	17%	10%
<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>
\$ 20,603	\$ 19,405	\$ 19,134	\$ 19,676
<u>(20,603)</u>	<u>(19,405)</u>	<u>(19,134)</u>	<u>(19,676)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,019,947	\$ 1,902,427	\$ 1,875,919	\$ 1,929,060
1.02%	1.02%	1.02%	1.02%

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
June 30, 2025

**NOTE 1: Stewardship, Compliance, and Accountability**

**Budgetary Information**

Budgets are adopted for all funds on a basis consistent with generally accepted accounting principles. The District adheres to the following procedures to establish the budgetary information reflected in the financial statements.

- Management submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the School Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budget amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the Superintendent. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- All budget appropriations lapse at fiscal year-end.

**Budget Compliance and Accountability**

At June 30, 2025, the District's Debt Service Fund and the Student Activities Fund actual expenditures exceeded budgeted expenditures by \$250 and \$8,422, respectively. In addition, the budgeted expenditures exceeded available resources by \$34,808. These may be a violation of state statutes.

**NOTE 2: Significant Changes in Plan Provisions Affecting Trends in Actuarial Information**

*STDF Plan* - Senate Bill (SB) 23-056, enacted and effective June 2, 2023, intended to recompense PERA for the remaining portion of the \$225 million 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 §24-51-416, plus \$10 million from the General Fund, totaling \$14.561 million.

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.

*HCTF Plan* - As of the December 31, 2023, measurement date, the fiduciary net position (FNP), and related disclosure components for the Health Care Trust Fund (HCTF) reflect payments related to the disaffiliation of Tri-County Health Department (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 million payment received on December 4, 2023, and a \$2 million receivable. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$1.033 million and \$24.967 million, respectively.

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
June 30, 2025

**NOTE 2: Significant Changes in Plan Provisions Affecting Trends in Actuarial Information**  
(Continued)

As of the December 31, 2024, measurement date, the fiduciary net position, and related disclosure components for HCTF reflect additional payments related to the disaffiliation of Tri-County Health Department 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.

For RSI disclosures reported in previous years, refer to the PERA's annual comprehensive financial report (ACFR) notes to the required supplementary information at the following link: <https://www.copera.org/forms-resources/financial-reports-and-studies>.

**NOTE 3: Changes in Assumptions and Other Inputs**

*STDF Plan* – 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%.

SB 25-310 was enacted on June 2, 2025, and effective immediately, allows PERA to accept a series of warrants from the State Treasurer totaling \$500 million on or after July 1, 2025, and before October 1, 2025. These dollars will be proportioned over time to replace reductions to the future direct distributions intended to fund the Peace Officer Training and Support Fund and, at that time, will be allocated to the appropriate Division Trust Fund(s) within PERA. SB 25-310 also allows for an alternative actuarial method to allocate the direct distribution if the allocation, based on the reported payroll of each participating division, results in an AAP assessment ratio below the 98% benchmark.

*HCTF Plan* – 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.

For RSI disclosures reported in previous years to the PERA's annual comprehensive financial report (ACFR) notes to the required supplementary information may be obtained as follows: <https://www.copera.org/forms-resources/financial-reports-and-studies>.

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND  
THE BUDGETARY COMPARISON SCHEDULES**

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2025

	FOOD SERVICE	DEBT SERVICE	STUDENT ACTIVITY
<b>ASSETS</b>			
Cash and Investments	\$ 30,832	\$ 128,756	\$ 93,153
Inventories	15,886	-	-
<b>TOTAL ASSETS</b>	<b>\$ 46,718</b>	<b>\$ 128,756</b>	<b>\$ 93,153</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 810	\$ -	\$ -
Accrued Salaries and Benefits	1,123	-	-
Unearned Revenue	7	-	-
<b>TOTAL LIABILITIES</b>	<b>1,940</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>			
Nonspendable Inventories	15,886	-	-
Restricted for:			
Debt Service	-	128,756	-
Food Service	28,892	-	-
Assigned to:			
Capital Projects	-	-	-
Student Activities	-	-	93,153
<b>TOTAL FUND BALANCES</b>	<b>44,778</b>	<b>128,756</b>	<b>93,153</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 46,718</b>	<b>\$ 128,756</b>	<b>\$ 93,153</b>

<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
\$ 106,724	\$ 359,465
-	15,886
<u>106,724</u>	<u>375,351</u>
\$ -	\$ 810
-	1,123
-	7
<u>-</u>	<u>1,940</u>
-	15,886
-	128,756
-	28,892
106,724	106,724
<u>-</u>	<u>93,153</u>
<u>106,724</u>	<u>373,411</u>
\$ <u>106,724</u>	\$ <u>375,351</u>

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2025

	FOOD SERVICE	DEBT SERVICE	STUDENT ACTIVITY
<b>REVENUES</b>			
Local Sources	\$ 4,909	\$ 4,916	\$ 52,394
State Sources	36,181	-	-
Federal Sources	52,366	-	-
	93,456	4,916	52,394
<b>TOTAL REVENUES</b>	<b>93,456</b>	<b>4,916</b>	<b>52,394</b>
<b>EXPENDITURES</b>			
Current			
Instruction	-	-	54,993
Food Service	147,011	-	-
Debt Service			
Fiscal Charges	-	250	-
	147,011	250	54,993
<b>TOTAL EXPENDITURES</b>	<b>147,011</b>	<b>250</b>	<b>54,993</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(53,555)</b>	<b>4,666</b>	<b>(2,599)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	57,000	-	-
	3,445	4,666	(2,599)
<b>CHANGES IN FUND BALANCES</b>	<b>3,445</b>	<b>4,666</b>	<b>(2,599)</b>
FUND BALANCES, Beginning	41,333	124,090	95,752
	44,778	128,756	93,153
<b>FUND BALANCES, Ending</b>	<b>44,778</b>	<b>128,756</b>	<b>93,153</b>

<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
\$ 6,724	\$ 68,943
-	36,181
-	52,366
<u>6,724</u>	<u>157,490</u>
	54,993
-	147,011
-	250
<u>-</u>	<u>202,254</u>
<u>6,724</u>	<u>(44,764)</u>
<u>100,000</u>	<u>157,000</u>
106,724	112,236
-	261,175
<u>106,724</u>	<u>373,411</u>

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOOD SERVICE FUND**  
Year Ended June 30, 2025

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
<b>REVENUES</b>				
Local Sources	\$ 1,000	\$ 7,177	\$ 4,909	\$ (2,268)
State Grants	32,000	35,400	36,181	781
Federal Grants	40,000	63,220	52,366	(10,854)
<b>TOTAL REVENUES</b>	<b>73,000</b>	<b>105,797</b>	<b>93,456</b>	<b>(12,341)</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Salaries	69,808	87,786	68,424	19,362
Benefits	37,344	41,452	43,117	(1,665)
Purchased Services	2,500	2,500	19,095	(16,595)
Supplies and Materials	45,200	45,200	14,385	30,815
Other	-	-	-	-
Capital Outlay	5,000	5,000	1,990	3,010
<b>TOTAL EXPENDITURES</b>	<b>159,852</b>	<b>181,938</b>	<b>147,011</b>	<b>34,927</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(86,852)</b>	<b>(76,141)</b>	<b>(53,555)</b>	<b>22,586</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	57,000	57,000
<b>CHANGE IN FUND BALANCE</b>	<b>(86,852)</b>	<b>(76,141)</b>	<b>3,445</b>	<b>79,586</b>
FUND BALANCE, Beginning	83,453	41,333	41,333	-
FUND BALANCE, Ending	\$ (3,399)	\$ (34,808)	\$ 44,778	\$ 79,586

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**BUDGETARY COMPARISON SCHEDULE**  
**DEBT SERVICE FUND**  
Year Ended June 30, 2025

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
Local Sources				
Investment Income	\$ 4,200	\$ 4,200	\$ 4,916	\$ 716
EXPENDITURES				
Debt Service				
Fiscal Charges	-	-	250	(250)
CHANGE IN FUND BALANCE	4,200	4,200	4,666	466
FUND BALANCE, Beginning	118,909	118,909	124,090	5,181
FUND BALANCE, Ending	\$ 123,109	\$ 123,109	\$ 128,756	\$ 5,647

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**BUDGETARY COMPARISON SCHEDULE**  
**STUDENT ACTIVITIES FUND**  
Year Ended June 30, 2025

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
<b>REVENUES</b>				
Local Sources				
Athletic Activity Fees	\$ 50,000	\$ 43,947	\$ 52,394	\$ 8,447
<b>EXPENDITURES</b>				
Current				
Instruction	50,000	43,947	54,993	(11,046)
CHANGE IN FUND BALANCE	-	-	(2,599)	(2,599)
FUND BALANCE, Beginning	109,864	95,742	95,752	10
FUND BALANCE, Ending	\$ 109,864	\$ 95,742	\$ 93,153	\$ (2,589)

**SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J**  
**BUDGETARY COMPARISON SCHEDULE**  
**CAPITAL PROJECTS FUND**  
Year Ended June 30, 2025

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
Local Sources	-	8,400	6,724	1,676
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	8,400	6,724	1,676
OTHER FINANCING SOURCES				
Transfers In	100,000	100,000	100,000	-
CHANGE IN FUND BALANCE	100,000	108,400	106,724	1,676
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ 100,000	\$ 108,400	\$ 106,724	\$ (1,676)

## **COMPLIANCE SECTION**

## **STATE COMPLIANCE**



Colorado Department of Education

Auditors Integrity Report

District: 2840 - Norwood R-2J

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	1,895,179	4,499,750	4,523,837	1,871,093
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub- Total</b>	<b>1,895,179</b>	<b>4,499,750</b>	<b>4,523,837</b>	<b>1,871,093</b>
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
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	41,332	150,455	147,009	44,778
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	95,752	52,394	54,993	93,152
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	124,090	4,916	250	128,756
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	104,200	-2,524	106,724
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>2,156,353</b>	<b>4,811,715</b>	<b>4,723,566</b>	<b>2,244,503</b>
<b>Proprietary</b>				
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	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
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	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FINAL