MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2026

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

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INDEPENDENT AUDITORS' REPORT

Board of Education
Manzanola School District 3J
Manzanola, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Manzanola School District 3J, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Manzanola School District 3J's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Manzanola School District 3J, as of June 30, 2026, 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 for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Manzanola School District 3J, 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 the 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 Manzanola School District 3J'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 generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Manzanola School District 3J'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 Manzanola School District 3J'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, budgetary comparison schedules and pension/OPEB schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in 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 Manzanola School District 3J's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules and the Colorado Department of Education Auditors' Electronic Financial Data Integrity Check Figures 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 such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the Colorado Department of Education Auditors' Electronic Financial Data Integrity Check Figures are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Hancock Froese & Company LLC

Rocky Ford, Colorado
September 22, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANZANOLA SCHOOL DISTRICT 3J
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2026

The purpose of management's discussion and analysis (MD&A) is to help the Manzanola School District 3J (the "District") residents and other readers understand what the financial statements and notes in this financial report say about the District's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by management's knowledge of the District's finances.

If you have questions about this report or require further information, contact the Superintendent, Manzanola School District 3J, 32475 County Rd 11.5, Manzanola, CO 81058.

OVERVIEW OF FINANCIAL STATEMENTS

The management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The Manzanola School District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements provided are designed to supply the reader an overview of the District's financial activities similar to those statements used in the private sector. The government-wide statements relate to those activities directly related to the education of the students.

The statement of net position presents information on all of the District's assets and liabilities. The difference between the two is reported as net position. Changes in net position from year to year may be used as an indicator of the overall financial position of the District. Over time, changes in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents the current fiscal year revenues and expenses to show how the net position of the district changed during the year. In the statement of activities, changes in net position are recorded when the event occurs. This could mean that information may be reported for revenues and expenses that will result in cash flow differences in future fiscal years.

The government-wide financial statements include all governmental activities.

Governmental activities: Most of the District's basic services are included here, such as instruction, transportation, maintenance and operations, food service and administration. The School Finance Act of 1994, as amended, made up of property taxes and state equalization, finances most of these activities. This information is comprised of all of the following Manzanola School District funds – general fund, food service fund and student activities fund.

Fund Financial Statements

The fund financial statements provide detailed information about the District's funds, focusing on its most significant funds or "major" funds, not the District as a whole. Fund financial statements are designed to display compliance with finance-related legal requirements. A fund is a grouping of related accounts designed to keep control over resources segregated for specific activities or objectives. All of the funds of the District are governmental funds.

Governmental Funds

Governmental funds account for the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements emphasize short-term financial resources and fund balances (spendable resources available at the end of the fiscal year). Governmental fund financial statements use the *current financial resources measurement focus and modified accrual basis of accounting* to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets or certain other long-term items, but they do report the flows of current financial resources related to those long-term items. Such information is used to evaluate the District's short-term financing requirements. Comparison of the governmental funds with the government-wide funds may allow the reader to better understand the long-term impact of the District's near-term financing decisions.

Type of Information in the Financial Statements

All of the District's financial statements, except for the governmental fund financial statements, use the *economic resources measurement focus and accrual basis of accounting.* In other words, they comprehensively report all types of financial statement elements:

- *Assets* — Resources the District controls, from short-term assets like cash to long-term assets like buildings and equipment.

- *Liabilities* — Amounts the District owes, from short-term liabilities such as salaries payable to long-term liabilities such as outstanding debt and net amounts owed to employees for pensions.
- *Deferred outflows of resources* and *deferred inflows of resources* — Flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.
- *Revenues and expenses* — Inflows and outflows of economic resources, respectively, related to the current year.

Notes to the financial statements
The next section of this financial report contains *notes to financial statements,* which delve deeper into the District's finances as reported in the financial statements. The information in the notes is as important to understanding the District's finances as the information in the financial statements. The District uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

Required and other supplementary information
In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information that further supports the financial statements with comparative major and non-major financial statements and budgetary comparison information for each fund, historical pension and other post-employment benefit information, and another report required by the Colorado Department of Education.

ANALYSIS OF THE DISTRICT'S FINANCES

Financial Analysis of the District as a Whole
The following tables provide a summary of the District's net position as of June 30, 2026 and 2025:

	2026	2025	Change
Assets:			
Current and Other Assets	$ 6,323,995	$ 5,116,807	23.6%
Capital Assets, Net	27,773,028	29,025,982	-4.3%
Total Assets	34,097,023	34,142,789	-0.1%
Deferred Outflows of Resources	380,468	409,061	-7.0%
Total Assets & Deferred Outflow of Resources	$ 34,477,491	$34,551,850	-0.2%
Liabilities:			
Current Liabilities	$ 322,485	$ 352,760	-8.6%
Noncurrent Liabilities	3,211,338	3,619,222	-11.3%
Total Liabilities	3,533,823	3,971,982	-11.0%
Deferred Inflows of Resources	1,813,968	1,103,256	64.4%
Net Position:			
Net Investment in Capital Assets	27,747,464	29,025,982	-4.4%
Restricted	209,738	194,070	8.1%
Unrestricted	1,172,498	256,560	557.0%
Total Net Position	29,129,700	29,476,612	-1.2%
Total Liabilities, Deferred Inflow of Resources & Net Position	$ 34,477,491	$34,551,850	-0.2%

The table above shows that as of June 30, 2026, the District's total net position—assets and deferred outflows minus liabilities and deferred inflows—was approximately $29.1 million, a decrease of $346,912 or 1.2 percent compared with 2025. This decrease is primarily due to a $1,278,518 or 4.4 percent decrease in net investment in capital assets net position. Most of the decrease in net position was the result of depreciation expense on general fixed assets and the financial performance of the governmental activities. The following sections of MD&A analyze the finances of the governmental activities.

Governmental Activities

The table below shows that revenues were less than expenses in the current year, resulting in a decrease in net position. As noted above, the total net position of the District's governmental activities was over $29.1 million, a decrease of $346,912 or 1.2 percent from 2025. Various events contributed to this decrease in net position; however, the primary factors affecting the change in net position are as follows:

- Decreases in intergovernmental grant revenues, particularly related to operating grants and contributions.
- Increase in instruction services.

Changes in Net Position as of June 30, 2026 and 2025

Following is a summary of the District's change in net position for the years ending June 30, 2026 and 2025:

General Revenues			
Taxes	377,811	353,037	7.0%
School Finance Act	3,437,806	3,285,314	4.6%
Earnings on Investments	194,855	176,182	10.6%
Other	151,842	229,092	-33.7%
Total General Revenues	4,162,314	4,043,625	2.9%
Total Revenues	4,993,869	5,113,792	-2.3%
Expenses			
Governmental Activities:			
Instruction	2,944,998	2,901,699	1.5%
Support Service	1,784,203	1,827,026	-2.3%
Food Service Operations	184,646	187,678	-1.6%
Non-Instructional	118,334	111,740	5.9%
Pension/OPEB Cost (Revenue)	308,600	814,608	-62.1%
Total Expenses	5,340,781	5,842,751	-8.6%
Change in Net Position	(346,912)	(728,959)	-52.4%
Net Position - Beginning	29,476,612	30,205,571	-2.4%
Net Position - Ending	$29,129,700	$29,476,612	-1.2%

Governmental Activities
The primary source of operating revenue for school districts comes from the School Finance Act of 1994. Under this act, the District received $3,437,806. In fiscal year 2025-2026, the funded pupil count is 180 which includes the universal preschool program and full day kindergarten. Funding for the School Finance Act comes from property taxes, specific ownership taxes and state equalization. The District received approximately 70 percent of its funding from state equalization while the remaining amount comes from property taxes, specific ownership taxes and other revenue sources.

Governmental activities for the year ended June 30, 2026 decreased the Manzanola School District 3J's net position by $346,912.

Financial Analysis of Governmental Funds

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. Unreserved fund balance may serve as a useful measure of Manzanola School District 3J's net resources available for spending at the end of the fiscal year.

The District reports one major fund individually in the governmental fund financial statements. That fund is the general fund. Most of the discussion regarding governmental activities is equally applicable to the finances of those governmental funds. However, certain factors that are relevant to the District's current financial health are more apparent in the fund financial statements than in the government-wide financial statements. There were significant changes to the general fund and is discussed in more detail below.

General Fund
The general fund is the only major governmental fund of the Manzanola School District 3J. As of June 30, 2026, the general fund shows an ending fund balance of $5,834,816 up $1,234,862 from the prior year.

The fund balance of the District's general fund increased by 26 percent. This increase in fund balance is attributable to: (1) the increase in the state equalization payments received in fiscal year 2026 compared to 2025, and (2) the decrease in instruction and support service expenditures compared to the prior year.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

The District's net investment in capital assets for its governmental activities as of June 30, 2026 amounts to $27,747,464. This is a total cost of $36,471,692 less accumulated depreciation of $8,698,664 and capital lease payable of $25,564. This net investment in capital assets includes land, buildings and improvements, site improvements, equipment, and vehicles all with an original cost greater than $5,000.

Total capital lease outstanding increased 100.0 percent to $25,564 in 2026. The most prominent aspect of that change was the right-to-use asset for equipment that was acquired in 2026 for $30,847.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The budget for 2026-2027 will be comparable to the 2025-2026 budget. Any increase in revenues that the District may receive will be used to offset the increase in expenditures primarily related to retirement benefits, utilities, PERA increases, fuel costs and any other increase in general operations. If these estimates are realized, the District's budgetary general fund balance is not expected to change by the close of 2027.

The District is aware of the following developments that will have an impact on the District's finances in the future and were therefore incorporated into next year's budget:

- Amendments to the District budget
- Adoption of the State budget
- Pension plan changes.

Amendments to the District budget
The first mid-year amendment to the District's operating budget addresses budgetary variances that are found in the actual results for the first quarter ending September 30, 2026.

Adoption of the State budget
In May 2026, the State adopted its operating budget for the fiscal year ending June 30, 2027. The District's finances are affected by many parts of the State budget, though one provision in particular will have a positive impact on the District's finances.

The newly adopted state budget and the accompanying 2027 School Finance Act (SB26-023) increased the baseline per-pupil funding and structural financial changes for Colorado's K-12 school districts.

Pension plan changes

The District provides pension benefits to its employees through the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employee's Retirement Association of Colorado (PERA). HB 26-1400, enacted June 1, 2026, and effective July 1, 2026, modifies the allocation of the direct distribution. Beginning with the direct distribution on July 1, 2026, and annually thereafter, PERA is required to allocate the direct distribution to the Division Trust Funds on an actuarial basis. HB 26-1400 also reduces the PERA employer contribution rate allocated to the HCTF, by 0.50%, from 1.02% to 0.52% of member salaries for the State, School, Local Government, and Judicial Divisions.

It is expected that the change in the allocation of the direct distribution will decrease the District's contractually required contribution for the fiscal year beginning July 1, 2026. This amount is not yet determinable.

BASIC FINANCIAL STATEMENTS

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

STATEMENT OF NET POSITION

JUNE 30, 2026

	GOVERNMENTAL ACTIVITIES	TOTAL
ASSETS		
CURRENT ASSETS		
Cash	$ 1,047,232	$ 1,047,232
Investments	5,212,178	5,212,178
Receivables		
Grants	33,824	33,824
Property Taxes	14,700	14,700
Other	10,943	10,943
Inventory	5,118	5,118
TOTAL CURRENT ASSETS	6,323,995	6,323,995
CAPITAL ASSETS		
Capital Assets Not Being Depreciated	26,840	26,840
Capital Assets Being Depreciated, Net	27,746,188	27,746,188
TOTAL CAPITAL ASSETS	27,773,028	27,773,028
TOTAL ASSETS	34,097,023	34,097,023
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	366,197	366,197
OPEB Related Amounts	14,271	14,271
TOTAL DEFERRED OUTFLOWS OF RESOURCES	380,468	380,468
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	46,911	46,911
Accrued Salaries and Benefits	264,843	264,843
Unearned Revenues	10,731	10,731
TOTAL CURRENT LIABILITIES	322,485	322,485
NONCURRENT LIABILITIES		
Due Within One Year	9,143	9,143
Due in More than One Year	3,202,195	3,202,195
TOTAL NONCURRENT LIABILITIES	3,211,338	3,211,338
TOTAL LIABILITIES	3,533,823	3,533,823
DEFERRED INFLOWS OF RESOURCES		
Pension Related Amounts	1,666,343	1,666,343
OPEB Related Amounts	147,625	147,625
TOTAL DEFERRED INFLOWS OF RESOURCES	1,813,968	1,813,968
NET POSITION		
Net Investment in Capital Assets	27,747,464	27,747,464
Restricted for:		
TABOR Reserve	136,000	136,000
Food Service	73,738	73,738
Unrestricted	1,172,498	1,172,498
TOTAL NET POSITION	$ 29,129,700	$ 29,129,700

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2026

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES:					
Instruction	$ 2,944,998	$ -	$ 487,672	$ -	$ (2,457,326)
Support Services	1,784,203	-	9,296	-	(1,774,907)
Non-Instructional	118,334	151,059	-	-	32,725
Food Services	184,646	19,230	164,298	-	(1,118)
Pension and OPEB Expense	308,600	-	-	-	(308,600)
TOTAL GOVERNMENTAL ACTIVITIES	$ 5,340,781	$ 170,289	$ 661,266	$ -	(4,509,226)
GENERAL REVENUES					
Local Property Taxes					323,651
Specific Ownership Taxes					54,160
Equalization					3,437,806
Earnings on Investments					194,855
Other Revenues					151,842
TOTAL GENERAL REVENUES					4,162,314
CHANGE IN NET POSITION					(346,912)
NET POSITION - BEGINNING					29,476,612
NET POSITION - ENDING					$ 29,129,700

See Notes to Financial Statements

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2026

	GENERAL	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	$ 904,220	$ 143,012	$ 1,047,232
Investments	5,212,178	-	5,212,178
Receivables			
Accounts	-	10,943	10,943
Grants	33,824	-	33,824
Property Taxes	14,700	-	14,700
Inventory	-	5,118	5,118
TOTAL ASSETS	$ 6,164,922	$ 159,073	$ 6,323,995
LIABILITIES			
Accounts Payable	$ 39,832	$ 7,079	$ 46,911
Accrued Salaries and Benefits	264,843	-	264,843
Unearned Revenue	10,731	-	10,731
TOTAL LIABILITIES	315,406	7,079	322,485
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Property Taxes	14,700	-	14,700
FUND BALANCE			
Nonspendable			
Inventories	-	5,118	5,118
Restricted:			
Emergency Reserve	136,000	-	136,000
Food Service	-	73,738	73,738
Assigned:			
Future Year Expenditures	70,000	-	70,000
Student Activities	-	73,138	73,138
Unassigned	5,628,816	-	5,628,816
TOTAL FUND BALANCE	5,834,816	151,994	5,986,810
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	$ 6,164,922	$ 159,073	$ 6,323,995

See Notes To Financial Statements

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2026

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:		
Governmental Funds Total Fund Balances		$ 5,986,810
Unearned property tax revenue. Revenues that do not provide current financial resources are deferred on the governmental fund financial statements but recognized on the government wide financial statements.		14,700
Capital assets and right-to-use assets used in governmental funds are not considered current financial resources and, therefore, not reported in the governmental funds.		36,471,692
Accumulated depreciation and amortization is not recognized in the governmental funds because capital assets are expensed at the time of acquisition.		(8,698,664)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Compensated Absences	$ (23,003)	
Capital Leases	(25,564)	
Net Pension Liability	(3,128,200)	
Deferred Outflows of Resources - Pension Related Amounts	366,197	
Deferred Inflows of Resources - Pension Related Amounts	(1,666,343)	
Net OPEB Liability	(34,571)	
Deferred Outflows of Resources - OPEB Related Amounts	14,271	
Deferred Inflows of Resources - OPEB Related Amounts	(147,625)	
		(4,644,838)
Governmental Activities Net Position		$ 29,129,700

See Notes to Financial Statements

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2026

	GENERAL	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Local Sources	$ 721,906	$ 170,289	$ 892,195
State Sources	3,780,169	600	3,780,769
Federal Sources	154,606	163,698	318,304
TOTAL REVENUES	4,656,681	334,587	4,991,268
EXPENDITURES			
Instruction	1,755,413	-	1,755,413
Support Services	1,744,707	-	1,744,707
Food Service Operations	-	161,382	161,382
Student Activities	-	118,334	118,334
Debt Service	7,417	-	7,417
TOTAL EXPENDITURES	3,507,537	279,716	3,787,253
REVENUES OVER (UNDER) EXPENDITURES	1,149,144	54,871	1,204,015
OTHER FINANCING SOURCES (USES)			
Lease Proceeds	30,847	-	30,847
TOTAL OTHER FINANCING SOURCES (USES)	30,847	-	30,847
NET CHANGE IN FUND BALANCE	1,179,991	54,871	1,234,862
FUND BALANCE JULY 1	4,654,825	97,123	4,751,948
FUND BALANCE JUNE 30	$ 5,834,816	$ 151,994	$ 5,986,810

See Notes To Financial Statements

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2026

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

Governmental Funds Changes in Fund Balances		$ 1,234,862
Unearned property tax revenue. Revenues that do not provide current financial resources are deferred on the governmental fund statements but recognized on the government - wide financial statements.		2,600
Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This is the amount by which capital outlays differ from depreciation in the current period.		
Capital Outlay	$ 30,847	
Depreciation Expense	(1,277,632)	
Amortization Expense	(6,169)	
		(1,252,954)
The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Interest expense is recognized as it accrued in the statement of activities regardless of when it is due. The net effect of these differences is as follows:		
Repayment of debt principal	$ 5,284	
Debt proceeds	(30,847)	
		(25,563)
In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (essentially, the amounts actually paid). This amount represents the net effect of compensated absences and pension related amounts on the statement of activities.		
Compensated Absences	$ 2,743	
Pension Related Amounts	(301,315)	
OPEB Related Amounts	(7,285)	
		(305,857)
Governmental Activities Change in Net Position		$ (346,912)

See Notes to Financial Statements

NOTES TO BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Manzanola School District 3J (the "District") is governed by an elected five-member Board of Education. The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Manzanola, Colorado. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

FINANCIAL REPORTING ENTITY

Governmental Accounting Standards Board (GASB) Statement No. 14 (as amended by Statements No. 34, No. 39 and No. 61), "*The Financial Reporting Entity*" (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a.) the primary government, b.) organizations for which the primary government is financially accountable, and c.) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

The District is not included in any other governmental "reporting entity" as defined in GASB No. 14 and amended by GASB No. 39 and GASB No. 61. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the District (the primary government) and its component units, if applicable.

Jointly Governed Organizations

Not reflected in the accompanying financial statements is the District's participation in the South Central Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per District.

The District in conjunction with other local school districts has created a Board of Cooperative Educational Services. The Board is composed of one member from each of the participating school districts. The Board has final authority for all budgeting and financing of the joint venture. The BOCES is not included as a component unit of the District as the financial responsibility is minimal, there is no financial interdependency, the District does not have the ability to significantly influence the operations of the BOCES and the District is not accountable for fiscal matters of the BOCES.

The District has paid $34,633 to BOCES during the fiscal year in exchange for services. Financial Statements may be obtained by writing to: South Central BOCES, 323 S. Purcell Blvd, Pueblo West, CO 81007.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. The General Fund is the only major individual governmental fund.

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and unassigned fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

Amounts reported as program revenues included 1.) charges to customers or applicants for goods, services or privileges provided, 2.) operating grants and contributions, and 3.) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

All governmental fund types use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Property taxes are reported as receivables and deferred revenue when levied and as revenues when due for collection in the following year and determined to be available.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts and a deferred revenue/unearned revenue exists when assets have been recognized, but the related revenue has not been recognized, since the assets are not collected within the current period.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and capital lease debt service which is recognized when due and certain accrued sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable available financial resources.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. The District's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major fund presented in the accompanying basic financial statements is as follows:

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Governmental Fund

General Fund - The general fund is the general operating fund of the District; used to account for all resources that are not legally or by sound financial management to be accounted for in another fund. Activities relating to Preschool have been included in the General Fund.

Additionally, the District reports the following fund types:

Special Revenue Funds:

Food Services Fund – Accounts for all financial activities associated with the District's school breakfast and lunch programs.

Student Activities Fund – Is used to account for the various activities of the students and other restricted funds. These activities are supported in whole or in part by revenues from pupils, gate receipts and other fund-raising activities.

Cash and Investments

Cash represents amounts on deposit with financial institutions or held by the District. The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, mutual funds, government pools, and U.S. Treasury Obligations. All other securities are recorded at fair value. It is the intention of investing to maximize interest income, and securities are selected according to their risk, marketability and diversification.

Receivables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. In the fund financial statements, these receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred. Property taxes levied in fiscal year 2026, but not collected until fiscal year 2027, are identified as property taxes receivable.

Inventories

Inventories recorded in the Food Service Fund, as applicable, consist of purchased and donated commodities. Purchased inventories are stated at cost using the first-in first-out method of determining cost. Donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt.

The cost of all inventories is recorded as an asset when the individual inventory items are purchased and as an expenditure or expense when consumed.

Capital Assets

Capital assets, which include property, vehicles and equipment, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the governmental activities column in the government-wide financial statements.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. The District does not capitalize interest on the construction of capital assets.

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)
The monetary threshold for capitalization of assets is $5,000. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets. Estimated useful lives are:

	Years
Vehicles	5-15
Equipment	5-15
Buildings and Site Improvements	15-50

Leased Assets – Right-to-Use Asset
Leased assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service.

Leased assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the District has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset. Leased assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Liabilities
In the government-wide financial statements, long-term debt and other long–term obligations are reported as liabilities in the applicable government activities statement of net position. The District records long-term debt of governmental funds at the face value. The District's capital leases are serviced from property taxes and other revenues of the General Fund.

Accrued Vacation and Sick Pay
The District recognizes a liability for compensated absences in accordance with the provisions of GASB Statement No. 101, *Compensated Absences*. Under this standard, a liability is reported for leave that is attributable to services already rendered, is to be used for time off, and is more likely than not to be used for time off or otherwise paid.

Compensated absences are made up of accumulated sick and vacation leave reported as non-current liabilities in the government-wide financial statements. As of June 30, 2026, the District has recorded an estimated liability of $23,003 relating to accrued sick and vacation leave payable.

In accordance with the governmental accounting standards, the District has recorded the accrued liability for vacation pay in the accompanying district wide financial statements. The amounts are accrued as expenses when incurred in the funds of the District.

Long-term Obligations
In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities of net position. Net pension liability and Net OPEB liability, associated with the School Division Trust Fund (SCHDTF) and Health Care Trust Fund (HCTF) administered by PERA, represent the District's proportionate share of total pension/OPEB liabilities less the fiduciary net position. Amounts have been determined using the economic resources measurement focus and the accrual basis of accounting.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension related deferred outflows and inflows are reported as such and will be recognized in the collective pension expense in subsequent years. The employer portions of contributions made to the SCHDTF and HCTF are reported as benefit expenditures in the current period.

Unearned Revenue
Unearned revenues represent assets received (measurable) but not yet earned. In the statement of net position, unearned revenues represent grant funds received, but not yet earned as the related service has not yet been provided.

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental funds represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period, or in the case of property taxes, levied for a future period. Deferred revenue consists of the succeeding year's property taxes.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category which is for pension and OPEB related amounts.

Pension Related - Amounts reported as deferred outflows of resources include the following:

Difference Between Expected and Actual Experience	$ 188,270
Changes of Assumptions or Other Inputs	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	15,356
	-
Contributions Made Subsequent to the Measurement Date	162,571
Total Pension Related Deferred Outflows	$ 366,197

More information on pension related items is included in Note 7.

OPEB Related - Amounts reported as deferred outflows of resources include the following:

Difference Between Expected and Actual Experience	$ -
Changes of Assumptions or Other Inputs	380
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	5,754
Contributions Made Subsequent to the Measurement Date	8,137
Total OPEB Related Deferred Outflows	$ 14,271

More information on OPEB related items is included in Note 9.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items reported in this category.

Property Taxes - The item, property taxes levied for subsequent years, arises only under a modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Property tax revenue is considered a deferred inflow of resources in the year the taxes are levied and measurable, and are recognized as an inflow of resources in the period they are collected.

Pension Related - Amounts reported as deferred inflows of resources include the following:

Difference Between Expected and Actual Experience	$ -
Changes of Assumptions or Other Inputs	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	(1,666,343)
Total Pension Related Deferred Inflows	$ (1,666,343)

More information on pension related items is included in Note 7.

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources (Continued)

OPEB Related - Amounts reported as deferred inflows of resources include the following:

Difference Between Expected and Actual Experience	$ (13,988)
Changes of Assumptions or Other Inputs	(16,781)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	(116,856)
Total OPEB Related Deferred Inflows	$ (147,625)

More information on OPEB related items is included in Note 9.

Fund Balance

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. GASB Statement Number 54, "*Fund Balance Reporting and Governmental Fund Type Definitions"*, is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications and by clarifying the definitions of existing governmental fund types. As a result, fund balances are reported in classifications based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or required to be maintained intact;

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint;

Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

The Board of Education establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established through the adoption or amendment of the budget as intended for specific purposes.

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

Interest Expense

All interest expense has been reported as unallocated in Government-wide financial statements.

Budgetary Information

Expenditures may not legally exceed appropriations at the fund level. For the year ended June 30, 2026, no funds expenditures exceeded the budgeted appropriations.

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Principles

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE - 2 DEPOSITS AND INVESTMENTS

Deposits

The District's investment policies are approved by the Board of Education and governed by Colorado statute. The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories; state regulators determined eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2026, $787,016 of the District's bank balance of $1,050,334 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

At June 30, 2026, the District's bank balance and corresponding carrying balance were as follows:

	Carrying Balance	Bank Balance
Insured (FDIC)	$ 250,000	$ 250,000
Uninsured, Collateralized under the Public Deposit Protection Act	783,914	787,016
Cash with County Treasurer	12,968	12,968
Cash on Hand	350	350
	$ 1,047,232	$ 1,050,334

Investments

At June 30, 2026, the District had the following investments:

	Investments	Maturities	Fair Value
COLO Trust	External Investment Pool	Under 60 Day Avg.	$ 5,212,178

Credit Risk - State law limits investments for school districts to U.S. treasury issues, other federally backed notes and credits, and other agency offerings (not based on derivatives) without limitation. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years. Investments in these funds require that the institution have assets in excess of $1 billion or the highest credit rating from one or more of a nationally recognized rating agency. The investment in COLOTrust were rated AAA by Standard & Poor's.

NOTE - 2 DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value loss resulting from increasing interest rates. Specifically, all securities are limited to a maximum maturity of five years from the date of purchase unless the governing body authorizes a longer period.

Concentration of Credit Risk – The District does not have a formal policy restricting the amount that can be invested in any issuer.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs and; Level 3 inputs are significant unobservable inputs.

The District has no recurring fair value measurements as of June 30, 2026.

COLOTRUST – Investments in this external investment pool are reported at $1 net asset value per share and are not subject to fair value measurement. The investment is reported at cost. ColoTrust issues a publicly available annual financial report that includes the assets of the District. That report may be obtained at the ColoTrust website www.colotrust.com.

NOTE - 3 PROPERTY TAXES

Property taxes are levied on December 15 and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. The County bills and collects property taxes for all taxing districts in the County. The property tax receipts collected by the County are remitted to the District in the subsequent month. Property taxes that are uncollected at the end of the fiscal year are expected to be utilized as a financing source in the following fiscal year and are reported as receivable and deferred revenue.

NOTE - 4 CAPITAL AND LEASED ASSETS

A summary of changes in capital assets is as follows:

	Balances June 30, 2025	Additions	Deletions	Balances June 30, 2026
Governmental Activities:				
Non-Depreciable Assets:				
Land	$ 26,840	$ -	$ -	$ 26,840
Depreciable Assets:				
Buildings & Site Improvements	33,826,106	-	-	33,826,106
Equipment	1,649,496	-	-	1,649,496
Vehicles	650,101	-	-	650,101
Food Service	288,302	-	-	288,302
Total Depreciable Assets	36,414,005	-	-	36,414,005
Less Accumulated Depreciation for:				
Buildings & Site Improvements	(5,745,092)	(1,092,684)	-	(6,837,776)
Equipment	(1,203,185)	(110,135)	-	(1,313,320)
Vehicles	(341,132)	(51,549)	-	(392,681)
Food Service	(125,454)	(23,264)	-	(148,718)
Total Accumulated Depreciation	(7,414,863)	(1,277,632)	-	(8,692,495)

NOTE - 4 CAPITAL AND LEASED ASSETS(CONTINUED)

	Balances June 30, 2025	Additions	Deletions	Balances June 30, 2026
Leased Capital Assets – Amortized:				
Equipment	-	30,847	-	30,847
Less Accumulated Amortization:				
Equipment	-	(6,169)	-	(6,169)
Total Capital Assets Net	$ 29,025,982	$(1,252,954)	$ -	$ 27,773,028

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Instruction	$ 1,191,231
Support Services	69,306
Food Services	23,264
Total Depreciation/Amortization Expense – Governmental Activities	$ 1,283,801

NOTE - 5 ACCRUED TEACHERS' SALARIES AND EMPLOYEE BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, at June 30, 2026, was $264,843. Accordingly, the accrued salaries and benefits is reflected as a liability in the accompanying financial statements of the General Fund for $264,843.

NOTE - 6 LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions of the District for the year ended June 30, 2026:

	Balance June 30, 2025	Additions	Deletions	Balance June 30, 2026	Current
Governmental Activities:					
Compensated Absences (net)	$ 25,746	$ 145	$ (2,888)	$ 23,003	$ 3,450
Lease – Right-to-use-Asset	-	30,847	(5,283)	25,564	5,693
Net Pension Liability	3,530,829	485,723	(888,352)	3,128,200	-
Net OPEB Liability	62,647	48,783	(76,859)	34,571	-
Total	$ 3,619,222	$ 565,498	$ (973,382)	$ 3,211,338	$ 9,143

The compensated absences will be liquidated with resources of the General Fund.

Capital Lease – Right-to-Use Asset

The District entered into a lease with Gobin's Inc. for equipment. The lease calls for 60 monthly payments of $618 beginning July 1, 2025. The imputed interest is at the rate of 7.50%. Capital lease is collateralized by the equipment and has a net book value of $24,678 as of June 30, 2026.

Annual debt service requirements to maturity are as follow:

	PRINCIPAL	INTEREST	TOTAL
2027	$ 5,693	$ 1,724	$ 7,417
2028	6,135	1,282	7,417
2029	6,611	806	7,417
2030	7,125	292	7,417
	$ 25,564	$ 4,104	$ 29,668

NOTE - 7 DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. Manzanola School District 3J participates in the School Division Trust Fund (SCHDTF), 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 (FNP) and additions to/deductions from the FNP of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. Eligible employees of the Manzanola School District 3J are provided with pensions through the SCHDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

Benefits provided as of December 31, 2025. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

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

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

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

NOTE - 7 DEFINED BENEFIT PENSION PLAN (Continued)

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

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

Contributions provisions as of June 30, 2026: Eligible employees of, Manzanola School District 3J and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 11.00% of their PERA-includable salary during the period of July 1, 2025 through June 30, 2026. Employer contribution requirements are summarized in the following table:

	July 1, 2025 Through June 30, 2026
Employer contribution rate	11.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)
Amount apportioned to the SCHDTF	10.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	20.38%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Manzanola School District 3J is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Manzanola School District 3J were $324,644 for the year ended June 30, 2026.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute a $225 million direct distribution each year to PERA starting on July 1, 2018. For 2025, a portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and DPS Division Trust Fund. Effective July 1, 2025, and prior to July 1, 2030, HB 25-1105 excludes the DPS Division from receiving a portion of the annual Direct Distribution.

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

The net pension liability for the SCHDTF was measured as of December 31, 2025, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024. Standard update procedures were used to roll-forward the TPL to December 31, 2025. The Manzanola School District 3J proportion of the net pension liability was based on Manzanola School District 3J contributions to the SCHDTF for the calendar year 2025 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2026, the Manzanola School District 3J reported a liability of $3,128,200 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity.

NOTE - 7 DEFINED BENEFIT PENSION PLAN (Continued)

The amount recognized by the Manzanola School District 3J as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with Manzanola School District 3J were as follows:

Manzanola School District 3J proportionate share of the net pension liability	$3,128,200
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Manzanola School District 3J.	31,141
Total	$3,159,341

At December 31, 2025, the Manzanola School District 3J proportion was 0.02005%, which was a decrease of 0.0004% from its proportion measured as of December 31, 2024.

For the year ended June 30, 2026, the Manzanola School District 3J recognized pension expense of $301,315 and revenue of $31,141 for support from the State as a nonemployer contributing entity. At June 30, 2026, the Manzanola School District 3J reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$188,270	$-
Changes of assumptions or other inputs	15,356	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(1,666,343)
Contributions subsequent to the measurement date	162,571	N/A
Total	$366,197	$(1,666,343)

$162,571 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2026	
2027	$ 366,135
2028	417,923
2029	465,522
2030	213,137
2031	-
Thereafter	-

NOTE - 7 DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial assumptions. The December 31, 2024, actuarial valuation used the following actuarial cost method and key actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	4.00%-13.40%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.00%
PERA benefit structure hired after 12/31/06[1]	Financed by the AIR

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

All mortality assumptions are developed on a benefit-weighted basis and apply generational mortality. Note that in all categories, displayed as follows, the mortality tables are generationally projected using the 2024 adjusted MP-2021 scale.

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

The actuarial assumptions used in the December 31, 2024, valuations were based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, through December 31, 2023. Revised economic and demographic assumptions were adopted by the PERA Board on January 17, 2025.

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

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

NOTE - 7 DEFINED BENEFIT PENSION PLAN (Continued)

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

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

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25%. For projections, geometric long-term returns are converted to arithmetic returns, which reflect the expected one-year annual performance.

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the current member contribution rates in effect for each year, reflecting the prior increases as required by SB 18-200 and the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at the current fixed statutory rates specified in law for each year, reflecting the prior increases as required by SB 18-200 and the 2018 and 2020 AAP assessments. Employer contributions also include current and future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of $225 million commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. Effective July 1, 2025, and prior to July 1, 2030, HB 25-1105 excludes the DPS Division from receiving a portion of the annual direct distribution. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP because, per statute, AIR amounts cannot be used to pay benefits until they are transferred out of the AIR to the appropriate accounts for retirement and survivor benefit payments. Estimated transfers from the AIR and the related benefit payments were included in the projections.

NOTE - 7 DEFINED BENEFIT PENSION PLAN (Continued)

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SCHDTF's FNP was projected to be available to make all projected future benefit payments of current plan members and were not projected to reach a depletion date. 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 TPL. 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 Manzanola School District 3J proportionate share of the net pension liability to changes in the discount rate. The following table presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension	$4,425,517	$3,128,200	$2,041,859

Pension plan fiduciary net position. Detailed information about the SCHDTF's FNP is available in PERA's ACFR which can be obtained at www.copera.org/forms-resources/financial-reports-and-studies

NOTE – 8 DEFINED CONTRIBUTION PENSION PLANS

Voluntary Investment Program (PERAPlus 401(k) Plan)

Plan Description - Employees of the Manzanola School District 3J that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program (PERAPlus 401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available ACFR which includes additional information on the PERAPlus 401(k) Plan. That report can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

Funding Policy - The PERAPlus 401(k) Plan is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, the Manzanola School District 3J has agreed to match employee contributions up to 0% of covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2026, program members contributed $12,344 and Manzanola School District 3J recognized pension expense and a liability of $0 and $0, respectively, for the PERAPlus 401(k) Plan.

Deferred Compensation Plan (PERAPlus 457 Plan)

Plan Description - Employees of the Manzanola School District 3J may voluntarily contribute to the Deferred Compensation Plan (PERAPlus 457 Plan), an Internal Revenue Code Section 457 deferred compensation plan administered by PERA. Title 24, Article 51, Part 16 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available ACFR which includes additional information on the PERAPlus 457 Plan. That report can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

NOTE – 8 DEFINED CONTRIBUTION PENSION PLANS (Continued)

Funding Policy - The PERAPlus 457 Plan is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1603 of the C.R.S., as amended. In addition, the Manzanola School District 3J has agreed to match employee contributions up to 0% of covered salary as determined by the Internal Revenue Service. Members are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2026, program members contributed $0 and Manzanola School District 3J recognized pension expense and a liability of $0 and $0, respectively, for the PERAPlus 457 Plan.

NOTE - 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

OPEB. Manzanola School District 3J participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund 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 (FNP) and additions to/deductions from the FNP of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan description. Eligible employees of the Manzanola School District 3J are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

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

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

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

PERA Benefit Structure
The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare.

NOTE - 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

The maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

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

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

Contributions. Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF. Effective July 1, 2026, HB 26-1400 also reduces the PERA employer contribution rate allocated to the HCTF, by 0.50%, from 1.02% to 0.52% of member salaries for the State, School, Local Government, and Judicial Divisions.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Manzanola School District 3J is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Manzanola School District 3J were $16,249 for the year ended June 30, 2026.

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

At June 30, 2026, the Manzanola School District 3J reported a liability of $34,571 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2025, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2024. Standard update procedures were used to roll-forward the TOL to December 31, 2025. The Manzanola School District 3J proportion of the net OPEB liability was based on Manzanola School District 3J contributions to the HCTF for the calendar year 2025 relative to the total contributions of participating employers to the HCTF.

At December 31, 2025, the Manzanola School District 3J proportion was 0.0128%, which was a decrease of 0.0003% from its proportion measured as of December 31, 2024.

For the year ended June 30, 2026, the Manzanola School District 3J recognized OPEB expense of $7,285. At June 30, 2026, the Manzanola School District 3J reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE - 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$-	$(13,988)
Changes of assumptions or other inputs	380	(16,781)
Net difference between projected and actual earnings on OPEB plan investments	5,754	(116,856)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	8,137	N/A
Total	14,271	$(147,625)

$8,137 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2026:	
2027	$(20,122)
2028	(20,384)
2029	(20,443)
2030	(20,443)
2031	(20,443)
Thereafter	(39,656)

NOTE - 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Actuarial assumptions. The December 31, 2024, actuarial valuation used the following actuarial cost method and key actuarial assumptions and other inputs:

	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method	Entry age			
Price inflation	2.30%			
Real wage growth	0.70%			
Wage inflation	3.00%			
Salary increases, including wage inflation				
Members other than Safety Officers	2.70%-13.30%	4.00%-13.40%	3.40%-13.00%	2.30%-4.70%
Safety Officers	3.20%-16.30%	N/A	3.20%-16.30%	N/A
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%			
Discount rate	7.25%			
Health care cost trend rates				
PERA benefit structure:				
Service-based premium subsidy	0.00%			
PERACare Medicare plans	8.00% in 2025, gradually decreasing to 4.50% in 2035			
Medicare Part A premiums	3.50% in 2025, gradually increasing to 4.50% in 2033			
DPS benefit structure:				
Service-based premium subsidy	0.00%			
PERACare Medicare plans	N/A			
Medicare Part A premiums	N/A			

Each year the per capita health care costs are developed by plan option. As of the December 31, 2024, actuarial valuation, costs are based on 2025 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. MAPD premium costs are not age graded, an allowed exception under Section 3.7.7 (c) of Actuarial Standard of Practice No. 6.

NOTE - 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Plan	With Medicare Part A	Without Medicare Part A
MAPD PPO #1	$4,188	$8,928
MAPD PPO #2	2,028	5,508
MAPD HMO (Kaiser)	2,040	7,596

The 2025 Medicare Part A premium is $518 per month.

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

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. PERACare Medicare plan rates are applied where members have no premium-free Part A.

The PERA benefit structure health care cost trend rates used to measure the TOL are summarized in the following table:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2025	8.00%	3.50%
2026	7.65%	3.75%
2027	7.30%	3.75%
2028	6.95%	4.00%
2029	6.60%	4.00%
2030	6.25%	4.25%
2031	5.90%	4.25%
2032	5.55%	4.25%
2033	5.20%	4.50%
2034	4.85%	4.50%
2035+	4.50%	4.50%

Mortality assumptions used in the December 31, 2024, valuation for the Division Trust Funds as shown in the following table, reflect generational mortality and were applied, as applicable, in the December 31, 2024, valuation for the HCTF, but developed using a headcount-weighted basis. Note that in all categories, displayed as follows, the mortality tables are generationally projected using the 2024 adjusted MP-2021 scale. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

NOTE - 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Pre-Retirement	Mortality Table	Adjustments, as Applicable
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Employee	N/A
Safety Officers	PubS-2010 Employee	N/A
School Division	PubT-2010 Employee	N/A
Judicial Division	PubG-2010(A) Above-Median Employee	N/A
Post-Retirement (Retiree), Non-Disabled	**Mortality Table**	**Adjustments, as Applicable**
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Healthy Retiree	Males: 90% of the rates for all ages Females: 85% of the rates prior to age 85/ 105% of the rates age 85 and older
Safety Officers	PubS-2010 Healthy Retiree	N/A
School Division	PubT-2010 Healthy Retiree	Males: 106% of the rates for all ages Females: 86% of the rates prior to age 85/ 115% of the rates age 85 and older
Judicial Division	PubG-2010(A) Above-Median Healthy Retiree	N/A
Post-Retirement (Beneficiary), Non-Disabled	**Mortality Table**	**Adjustments, as Applicable**
All Beneficiaries	Pub-2010 Contingent Survivor	Males: 92% of the rates for all ages Females: 100% of the rates for all ages
Disabled	**Mortality Table**	**Adjustments, as Applicable**
Members other than Safety Officers	PubNS-2010 Disabled Retiree	95% of the rates for all ages
Safety Officers	PubS-2010 Disabled Retiree	N/A

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

- Per capita health care costs in effect as of the December 31, 2024, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits were updated to reflect costs for the 2025 plan year.
- The health care cost trend rates applicable to health plan premiums were revised to reflect the current expectation of future increases in those premiums.

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

The actuarial assumptions used in the December 31, 2024, valuations were based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, through December 31, 2023. Revised economic and demographic assumptions were adopted by the Board on January 17, 2025.

NOTE - 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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

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

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

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25%. For projections, geometric long-term returns are converted to arithmetic returns, which reflect the expected one-year annual performance.

Sensitivity of the Manzanola School District 3J proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following table 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[1]	6.65%	7.65%	8.65%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate[1]	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	$33,134	$34,571	$36,198

[1]For the January 1, 2026, plan year.

Discount rate. The discount rate used to measure the TOL was 7.25%. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2024, and the financial status of the HCTF as of the current measurement date (December 31, 2025). In addition, the following methods and assumptions were used in the projection of cash flows:

NOTE - 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2025, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. The current employer contribution rate for the HCTF is 1.02% of salary. HB26-1400, effective July 1, 2026, reduces the PERA employer contribution rate allocated to the HCTF, by 0.50%, from 1.02% to 0.52% of member salaries for the State, School, Local Government, and Judicial Divisions.
- 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.

Based on the above assumptions and methods, the FNP for the HCTF was projected to be available to make all projected future benefit payments of current members and were not projected to reach a depletion date. 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 TOL. The discount rate determination did 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 Manzanola School District 3J proportionate share of the net OPEB liability to changes in the discount rate. The following table 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 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$47,597	$34,571	$23,336

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

NOTE -10 NET POSITION

Restricted net position represents net position whose users are subject to constraints that are either 1.) legally imposed by creditors (such as debt covenants), grantors, or laws or regulations of other governments, or 2.) imposed by law through constitutional provisions or enabling legislation. Restricted net position at June 30, 2026 is as follows:

	Governmental Activities
TABOR Reserve	$ 136,000
Food Service	73,738
	$ 209,738

NOTE -10 NET POSITION (Continued)

Restricted for TABOR Reserve – This represents approximately 3% of the District's 2026 fiscal year spending as that term is defined in the Colorado constitution. Under these provisions of the constitution, this portion of the District's net position can be used for declared emergencies only and the District must maintain 3% or more of its spending in this restricted account. The District does not believe this restriction meets the definition of a stabilization arrangement under generally accepted accounting principles.

Restricted for Food Service – This represents money received from the State of Colorado that is for future expenditures related to the operation and maintenance of food services.

NOTE -11 FUND BALANCES

At June 30, 2026, fund balances for governmental funds consist of the following:

	Restricted Fund Balance			
	Emergencies TABOR	Food Services	Assigned Fund Balance	Total
General Fund	$ 136,000	$ -	$ 70,000	$ 206,000
Food Service Fund	-	73,738	-	73,738
Student Activity Fund	-	-	73,138	73,138
Total	$ 136,000	$ 73,738	$ 143,138	$ 352,876

NOTE -12 CONTINGENT LIABILITIES

The District receives revenues from various Federal and State grant programs, which are subject to final review and approval as to allowability by the respective grantor agency. Management believes disallowances, if any, would be immaterial.

NOTE -13 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of; damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Colorado School Districts Self Insurance Pool, which operates as a self-insurance pool comprised of various School Districts and other related public educational entities within the State of Colorado. The District pays an annual premium to the Pool for its property and liability insurance.

For Workers' Compensation, health, accident, and other types of insurance programs maintained by the District, commercial insurance companies are utilized. Settled claims have not exceeded insurance coverage in each of the last three years.

NOTE -14 TAX SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention on such revenue.

NOTE -14 TAX SPENDING AND DEBT LIMITATIONS (Continued)

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualifications as an enterprise will require judicial interpretation. Accordingly, the possibility exists that the District's interpretation of certain TABOR provisions may subsequently be determined to be incorrect.

In November 1995 the voters of the District approved an amendment to allow the District to collect, retain and spend all revenues and other funds collected from any source notwithstanding the limitations of Article X, Section 20 of the Colorado Constitution.

NOTE - 15 RELATED PARTY TRANSACTIONS

During the current year the District purchased $3,684 of goods and services from entities owned by board members.

NOTE -16 SUBSEQUENT EVENTS

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

NOTE -17 ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

In April 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 103, *Financial Reporting Model Improvements*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The District implemented this Statement for the fiscal year ended June 30, 2026. The implementation of this Statement resulted in changes to the presentation and disclosure requirements of the District's financial statements, including changes to the Management's Discussion and Analysis and budgetary comparison information.

REQUIRED SUPPLEMENTARY INFORMATION

MAJOR GOVERNMENTAL FUND

MAJOR GOVERNMENTAL FUND

General Fund – The general fund is the general operating fund of the District; used to account for all resources that are not legally or by sound financial management to be accounted for in another fund. It is the most significant fund in relation to the District's overall operations.

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2026

	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE WITH ORIGINAL BUDGET - OVER (UNDER) FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - OVER (UNDER) ACTUAL AMOUNTS
REVENUES					
Local Sources					
Property taxes	$ 324,000	$ 324,000	$ -	$ 319,799	$ (4,201)
Specific ownership taxes	57,000	57,000	-	54,158	(2,842)
Earnings on investments	140,000	140,000	-	194,855	54,855
Delinquent taxes and interest	-	-	-	1,252	1,252
Other	52,300	52,300	-	151,841	99,541
State Sources					
Equalization	3,400,000	3,400,000	-	3,437,806	37,806
Transportation	9,000	9,000	-	9,296	296
Other	249,400	249,400	-	333,068	83,668
Federal Sources					
Other	139,000	139,000	-	154,606	15,606
TOTAL REVENUES	4,370,700	4,370,700	-	4,656,681	285,981
EXPENDITURES					
Instruction					
Salaries	1,069,329	1,069,329	-	961,753	107,576
Employee benefits	416,042	416,042	-	385,234	30,808
Professional services	113,000	113,000	-	84,717	28,283
Property services	10,000	10,000	-	4,331	5,669
Other services	211,678	211,678	-	129,811	81,867
Supplies & materials	368,452	368,452	-	189,152	179,300
Equipment	5,500	5,500	-	290	5,210
Other objects	-	-	-	125	(125)
Total Instruction	2,194,001	2,194,001	-	1,755,413	438,588
Supporting Services:					
Pupil Support Services					
Salaries	108,203	108,203	-	100,788	7,415
Employee benefits	34,824	34,824	-	35,070	(246)
Professional services	-	-	-	27,110	(27,110)
Other services	1,200	1,200	-	259	941
Supplies & materials	77,773	77,773	-	24,955	52,818
Equipment	-	-	-	-	-
Other objects	-	-	-	-	-
Total Pupil Support Services	222,000	222,000	-	188,182	33,818

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2026

	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE WITH ORIGINAL BUDGET - OVER (UNDER) FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - OVER (UNDER) ACTUAL AMOUNTS
Expenditures (Continued)					
Supporting Services (Continued):					
Instructional Staff Services					
Salaries	82,632	82,632	-	103,741	(21,109)
Employee benefits	39,081	39,081	-	33,830	5,251
Professional services	2,000	2,000	-	3,280	(1,280)
Other services	700	700	-	199	501
Supplies & materials	10,587	10,587	-	4,543	6,044
Equipment	-	-	-	-	-
Total Instruction Staff Services	135,000	135,000	-	145,593	(10,593)
General Administration					
Salaries	195,050	195,050	-	197,480	(2,430)
Employee benefits	75,469	75,469	-	78,948	(3,479)
Professional services	54,000	54,000	-	29,956	24,044
Property services	70,000	70,000	-	53,458	16,542
Other services	24,000	24,000	-	49,421	(25,421)
Supplies & materials	50,480	50,480	-	22,063	28,417
Equipment	-	-	-	-	-
Other objects	72,700	72,700	-	-	72,700
Total General Administration	541,699	541,699	-	431,326	110,373
School Administration					
Salaries	122,420	122,420	-	102,420	20,000
Employee benefits	48,173	48,173	-	41,052	7,121
Other services	900	900	-	661	239
Supplies & materials	8,734	8,734	-	5,468	3,266
Equipment	1,773	1,773	-	-	1,773
Total School Administration	182,000	182,000	-	149,601	32,399
Other Business Services					
Salaries	-	-	-	-	-
Employee benefits	-	-	-	-	-
Professional services	1,000	1,000	-	801	199
Other services	-	-	-	-	-
Other Objects	-	-	-	-	-
Total Other Business Services	1,000	1,000	-	801	199

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2026

	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE WITH ORIGINAL BUDGET - OVER (UNDER) FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - OVER (UNDER) ACTUAL AMOUNTS
Expenditures (Continued)					
Supporting Services (Continued):					
Operations & Maintenance					
Salaries	190,600	190,600	-	132,039	58,561
Supplemental pay & stipends	73,852	73,852	-	-	73,852
Employee benefits	-	-	-	43,656	(43,656)
Property services	92,000	92,000	-	81,080	10,920
Other services	6,048	6,048	-	5,918	130
Supplies & materials	206,000	206,000	-	162,963	43,037
Equipment	35,500	35,500	-	10,938	24,562
Total Operations & Maintenance	604,000	604,000	-	436,594	167,406
Transportation					
Salaries	22,000	22,000	-	28,773	(6,773)
Employee benefits	5,027	5,027	-	5,469	(442)
Professional services	5,600	5,600	-	5,612	(12)
Property services	20,050	20,050	-	6,610	13,440
Other services	15,300	15,300	-	15,393	(93)
Supplies & materials	18,023	18,023	-	18,512	(489)
Equipment	70,000	70,000	-	-	70,000
Total Transportation	156,000	156,000	-	80,369	75,631
Central Services					
Salaries	20,000	20,000	-	18,285	1,715
Employee benefits	4,570	4,570	-	-	4,570
Professional services	-	-	-	-	-
Other services	295,430	295,430	-	293,956	1,474
Supplies & materials	-	-	-	-	-
Other objects	-	-	-	-	-
Total Central Services	320,000	320,000	-	312,241	7,759
Total Support Services	2,161,699	2,161,699	-	1,744,707	416,992
Community Services	-	-	-	-	-
Property Services	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service	-	-	-	7,417	(7,417)

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2026

	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE WITH ORIGINAL BUDGET - OVER (UNDER) FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - OVER (UNDER) ACTUAL AMOUNTS
TOTAL EXPENDITURES	4,355,700	4,355,700	-	3,507,537	848,163
REVENUES OVER (UNDER) EXPENDITURES	15,000	15,000	-	1,149,144	1,134,144
OTHER FINANCING SOURCES					
Lease Proceeds	-	-	-	30,847	30,847
Transfers out	(15,000)	(15,000)	-	-	15,000
NET CHANGE IN FUND BALANCE	-	-	-	1,179,991	1,179,991
FUND BALANCE JULY 1	4,654,825	4,654,825	4,654,825	4,654,825	-
FUND BALANCE JUNE 30	$ 4,654,825	$ 4,654,825	$ 4,654,825	$ 5,834,816	$ 1,179,991

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE - SCHOOL DIVISION TRUST FUND

DEFINED BENEFIT PENSION PLAN

FOR THE LAST 10 FISCAL YEARS

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Plan Measurement Date	12/31/2025	12/31/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016
District's proportion (percentage) of the collective net pension liability	0.0201%	0.0205%	0.0229%	0.0193%	0.0219%	0.0242%	0.0201%	0.0203%	0.0231%	0.0253%
District's proportionate share of the collective net pension liability	$3,128,200	$3,530,829	$4,052,025	$3,524,362	$2,545,229	$3,654,871	$3,007,213	$3,603,791	$7,456,129	$7,528,938
State's Proportionate Share of the net pension liability	31,141	28,944	6,769	1,027,035	291,778	-	381,426	492,769	-	-
	$3,159,341	$3,559,773	$4,058,794	$4,551,397	$2,837,007	$3,654,871	$3,388,639	$4,096,560	$7,456,129	$7,528,938
District's covered payroll	$1,620,797	$1,590,704	$1,513,384	$1,484,806	$1,458,606	$1,310,226	$1,216,853	$1,179,306	$1,060,234	$1,089,007
District's proportionate share of the net pension liability as a percentage of its covered payroll	193.00%	221.97%	267.75%	237.36%	174.50%	278.95%	247.13%	305.59%	703.25%	691.36%
Plan fiduciary net position as a percentage of the total pension liability	71.71%	67.44%	64.74%	61.79%	74.86%	66.99%	64.52%	57.01%	43.96%	43.13%

The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

SCHEDULE OF DISTRICT CONTRIBUTIONS - SCHOOL DIVISION TRUST FUND

DEFINED BENEFIT PENSION PLAN

FOR THE LAST 10 FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 324,644	$ 322,529	$ 302,603	$ 289,971	$ 273,837	$ 235,826	$ 225,601	$ 200,177	$ 200,117	$ 203,900
Contributions in relation to the contractually required contribution	(324,644)	(322,529)	(302,603)	(289,971)	(273,837)	(235,826)	(225,601)	(200,177)	(200,117)	(203,900)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$1,592,950	$1,580,945	$1,484,806	$1,458,606	$1,310,226	$1,216,853	$1,179,306	$1,060,234	$1,089,007	$1,149,709
Contributions as a percentage of covered payroll	20.36%	20.38%	20.38%	19.88%	19.88%	19.38%	19.13%	18.88%	18.38%	17.73%

The amounts presented for each fiscal year were determined as of June 30.

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE - HEALTH CARE TRUST FUND

DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

FOR THE LAST 10 FISCAL YEARS

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Plan Measurement Date	12/31/2025	12/31/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016
District's proportion of the net OPEB liability	0.0128%	0.0131%	0.0137%	0.0147%	0.0143%	0.0139%	0.0132%	0.0131%	0.0131%	0.0144%
District's proportionate share of the net OPEB liability	$ 34,571	$ 62,647	$ 97,840	$ 120,118	$ 123,139	$ 132,823	$ 147,882	$ 178,033	$ 170,221	$ 186,537
District's covered payroll	$1,620,797	$1,590,704	$1,513,384	$1,484,806	$1,458,606	$1,310,226	$1,216,853	$1,179,306	$1,060,234	$1,089,007
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	2.13%	3.94%	6.46%	8.09%	8.44%	10.14%	12.15%	15.10%	16.06%	17.13%
Plan fiduciary net position as a percentage of the total OPEB liability	76.07%	59.83%	46.16%	38.57%	39.40%	32.78%	24.49%	17.03%	17.53%	16.72%

The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

SCHEDULE OF DISTRICT CONTRIBUTIONS - HEALTH CARE TRUST FUND

DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

FOR THE LAST 10 FISCAL YEARS

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contributions	$ 16,249	$ 16,519	$ 16,125	$ 15,145	$ 14,878	$ 13,364	$ 12,412	$ 12,029	$ 10,814	$ 11,107
Contributions in relation to the contractually required contribution	(16,249)	(16,519)	(16,125)	(15,145)	(14,878)	(13,364)	(12,412)	(12,029)	(10,814)	(11,107)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$1,592,950	$1,619,543	$1,580,945	$1,484,806	$1,458,606	$1,310,226	$1,216,853	$1,179,306	$1,060,234	$1,089,007
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

The amounts presented for each fiscal year were determined as of June 30.

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY COLORADO

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

NOTE -1 BUDGETS AND BUDGETARY ACCOUNTING

Budgets are required by state law for all funds. At least thirty days prior to July 1, the Superintendent submits to the Board of Education a proposed budget for all funds for the fiscal year commencing the following July 1. The budget includes proposed expenditures and means of financing them.

Public hearings are conducted by the Board of Education to obtain taxpayer comments. The budget must be adopted by formal resolution prior to June 30, although it may be subsequently revised by January 31 of the following year.

Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments, within any fund and the reallocation of budget line items within any department or within any fund rests with the Superintendent of Schools. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Education throughout the fiscal year. Appropriations are based on total resources expected to be available in each budget year, including reserves as established by the Board of Education. Variances between budget and actual expenditures result from non-expenditure of reserves, nonoccurrence of anticipated events, scheduling of capital projects and normal operating variances.

NOTE-2 DEFINED BENEFIT PENSION PLAN

Significant Changes in Plan Provisions Affecting Trends in Actuarial Information *2025 Changes in Plan Provisions Since 2024*

SB 25-310, enacted June 2, 2025, and effective immediately, allows PERA to accept a series of warrants from the State Treasurer totaling $500,000 on or after July 1, 2025, and before October 1, 2025. These dollars are held by PERA in a custodial capacity on behalf of the State of Colorado to be proportioned over time to replace reductions to 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 automatic adjustment provision (AAP) assessment ratio below the 98% benchmark and the alternative allocation method results in an AAP ratio that meets or exceeds the 98% benchmark.

Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information *2025 Changes in Assumptions or Other Inputs Since 2024*

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

Subsequent Events

- HB 26-1400, enacted June 1, 2026, and effective July 1, 2026, modifies the allocation of the direct distribution. Beginning with the direct distribution on July 1, 2026, and annually thereafter, PERA is required to allocate the direct distribution to the Division Trust Funds on an actuarial basis. HB 26-1400 also reduces the PERA employer contribution rate allocated to the HCTF, by 0.50%, from 1.02% to 0.52% of member salaries for the State, School, Local Government, and Judicial Divisions.

NOTE-3 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Significant Changes in Plan Provisions Affecting Trends in Actuarial Information *2025 Changes in Plan Provisions Since 2024*

There were no changes made to plan provisions.

Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information *2025 Changes in Assumptions or Other Inputs Since 2024*

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

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Food Services Fund – This fund is used to account for all food service activities related to serving student, teacher, and visitor meals.

Pupil Activity Fund – This fund is used to account for the various activities of student groups. These activities are supported in whole or in part by revenues from pupils and other fund-raising activities.

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2026

	SPECIAL REVENUE FUNDS		
	FOOD SERVICE	PUPIL ACTIVITY	TOTAL
ASSETS			
Cash and Cash Equivalents	$ 66,104	$ 76,908	$ 143,012
Grant Receivable	10,943	-	10,943
Inventory	5,118	-	5,118
TOTAL ASSETS	$ 82,165	$ 76,908	$ 159,073
LIABILITIES			
Accounts Payable	$ 3,309	$ 3,770	$ 7,079
Accrued Salaries	-	-	-
TOTAL LIABILITIES	3,309	3,770	7,079
FUND BALANCE			
Nonspendable:			
Inventory	5,118	-	5,118
Restricted:			
Food Service	73,738	-	73,738
Assigned:			
Pupil Activities	-	73,138	73,138
TOTAL FUND BALANCE	78,856	73,138	151,994
TOTAL LIABILITIES AND FUND BALANCE	$ 82,165	$ 76,908	$ 159,073

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2026

	SPECIAL REVENUE FUNDS		
	FOOD SERVICE	PUPIL ACTIVITY	TOTAL
REVENUES			
Local Sources	$ 19,230	$ 151,059	$ 170,289
State Sources	600	-	600
Federal Sources	163,698	-	163,698
TOTAL REVENUES	183,528	151,059	334,587
EXPENDITURES			
Food Service Operations	161,382	-	161,382
Student Activities	-	118,334	118,334
TOTAL EXPENDITURES	161,382	118,334	279,716
REVENUES OVER (UNDER) EXPENDITURES	22,146	32,725	54,871
FUND BALANCE JULY 1	56,710	40,413	97,123
FUND BALANCE JUNE 30	$ 78,856	$ 73,138	$ 151,994

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

FOOD SERVICE - SPECIAL REVENUE FUND

STATEMENTS OF REVENUES, EXPENDITURES AND FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2026

	ORIGINAL BUDGET	FINAL BUDGET	2026 ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Local Sources				
Food Sales	$ 13,000	$ 13,000	$ 18,320	$ 5,320
Earnings on Investments	-	-	910	910
Other	-	-	-	-
State Sources				
School Lunches	-	-	600	600
Federal Sources				
School Lunches	152,000	152,000	155,343	3,343
Commodities	-	-	8,355	8,355
TOTAL REVENUES	165,000	165,000	183,528	18,528
EXPENDITURES				
Salaries	-	-	-	-
Employee Benefits	-	-	-	-
Purchased Services - Professional	76,000	76,000	65,445	10,555
Food Purchases	95,000	95,000	68,098	26,902
Supplies and Materials	9,000	9,000	19,484	(10,484)
Equipment	-	-	-	-
Commodities	-	-	8,355	(8,355)
TOTAL EXPENDITURES	180,000	180,000	161,382	18,618
REVENUES OVER (UNDER) EXPENDITURES	(15,000)	(15,000)	22,146	37,146
OTHER FINANCING SOURCES (USES)				
Transfers Out	15,000	15,000	-	(15,000)
NET CHANGE IN FUND BALANCE	-	-	22,146	22,146
FUND BALANCE - BEGINNING	56,710	56,710	56,710	-
FUND BALANCE - ENDING	$ 56,710	$ 56,710	$ 78,856	$ 22,146

MANZANOLA SCHOOL DISTRICT 3J
OTERO COUNTY, COLORADO

PUPIL ACTIVITY - SPECIAL REVENUE FUND

STATEMENTS OF REVENUES, EXPENDITURES AND FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2026

	ORIGINAL BUDGET	FINAL BUDGET	2026 ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Local Sources				
Student Activities	$ 132,000	$ 132,000	$ 151,059	$ 19,059
TOTAL REVENUES	132,000	132,000	151,059	19,059
EXPENDITURES				
Student Activities	132,000	132,000	118,334	13,666
TOTAL EXPENDITURES	132,000	132,000	118,334	13,666
NET CHANGE IN FUND BALANCE	-	-	32,725	32,725
FUND BALANCE JULY 1	40,413	40,413	40,413	-
FUND BALANCE JUNE 30	$ 40,413	$ 40,413	$ 73,138	$ 32,725

COLORADO DEPARTMENT OF EDUCATION AUDITORS' ELECTRONIC FINANCIAL DATA INTEGRITY CHECK FIGURES

Colorado Department of Education

Auditors Integrity Report

District: 2535 - Manzanola 3J

Fiscal Year 2025-26

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	4,654,825	4,687,527	3,507,536	5,834,816
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	**4,654,825**	**4,687,527**	**3,507,536**	**5,834,816**
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	56,710	183,528	161,383	78,856
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	40,413	151,059	118,334	73,138
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
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	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	**4,751,948**	**5,022,114**	**3,787,253**	**5,986,809**
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	**0**	**0**	**0**	**0**
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	**0**	**0**	**0**	**0**

FINAL