

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2025



HELENA
PUBLIC SCHOOLS

Helena School District #1

Helena, Montana

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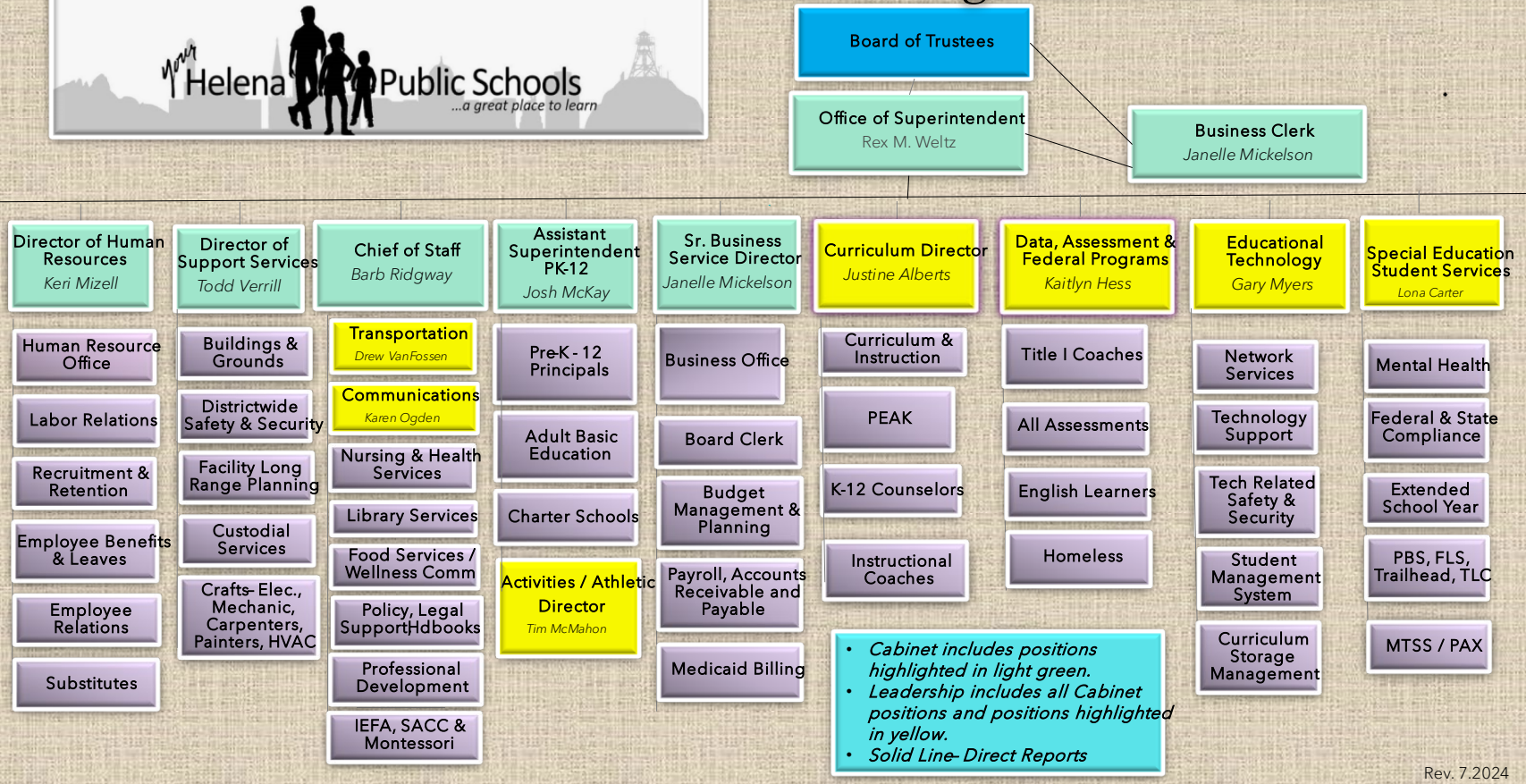
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District Organizational Structure



Rev. 7.2024

School District No. 1
Lewis and Clark County
Helena, Montana

Organization

Board of Trustees

Elementary and High School Trustees

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Jennifer Mckee	Chairperson	2025
Jennifer Walsh	Vice-chair	2026
Siobhan Hathhorn	Trustee	2027
Linda Cleatus	Trustee	2026
Jenny Murnane	Trustee	2025
Janet Armstrong	Trustee	2024
Kay Satre	Trustee	2025

High School Trustees

Jennifer Walsh	Trustee - High School	2026
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List of Principal Officials

Rex Weltz	Superintendent
T. Janelle Mickelson	Business Services Administrator
Katrina Chaney	County Superintendent
Kevin Downs	County Attorney

Independent Auditor's Report

Board of Trustees
Helena School District No.1
Helena, MT

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Helena School District No.1 (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Helena School District No.1 as of June 30, 2025, and 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 Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Helena School District No.1 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 2 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 101 - *Compensated Absences*. Our opinion is not modified with respect this matter.

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 (GAAP), 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 Helena School District No.1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government 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 GAAS and *Government 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 Helena School District No.1'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 Helena School District No.1'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 a management's discussion and analysis, the budgetary comparison information- general fund, budgetary comparison schedule- budget to GAAP reconciliation, schedules of proportionate share of the net pension liabilities, schedules of contributions, and schedule of changes in total liability and related ratios - other postemployment benefits as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

"Wipfli" is the brand name under which Wipfli LLP and Wipfli Advisory LLC and its respective subsidiary entities provide professional services. Wipfli LLP and Wipfli Advisory LLC (and its respective subsidiary entities) practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. Wipfli LLP is a licensed independent CPA firm that provides attest services to its clients, and Wipfli Advisory LLC provides tax and business consulting services to its clients. Wipfli Advisory LLC and its subsidiary entities are not licensed CPA firms.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The supplemental schedules of school enrollment and student extracurricular funds, and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 information is fairly stated in all materiality respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Helena School District No.1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

Billings, Montana
March 27, 2026

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Helena School District No. 1 Management's Discussion and Analysis

For the Year Ended June 30, 2025

The management's discussion and analysis of Helena School District No. 1 (the District), Lewis and Clark County, Helena, Montana's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2025. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for the 2024-2025 fiscal year include the following:

Net Position:

- Net position saw strong improvement. Total net position increased from \$27,622,158 to \$39,493,320, a gain of \$11,871,162.
- Governmental activities net position grew by \$11,925,975.
- SACC deficit deepened modestly from (\$998,198) to (\$1,053,010), a decline of \$54,812.

Revenues:

- Total revenues dropped 1.4% from the prior year.
- Revenue from tax levies dropped by approximately \$1,500,000 as a result of a decrease in property taxes.
- State revenue increased 2% as a result of a statutory 3% inflationary increase, STARS Act, charter school entitlements, and the new 75/25 transportation split.

Expenses:

- Total expenses decreased 9.6%.
- Instruction expenses dropped \$9,143,795. This was driven by the improved self-insurance fund net position and a decreased net pension expenditure adjustment.
- Salary expenses were down as a result of retirees being replaced at lower salaries.

Balance Sheet & Fund Balances:

- Governmental funds cash and cash equivalents increased from \$34,984,350 to \$40,095,829.
- The unrestricted net position deficit improved from (\$59,838,036) to (\$54,574,490).
- Governmental funds balances increased from \$36,054,795 to \$41,353,362.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the Helena School District. The basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) budgetary schedules and other required supplemental information and 4) notes to the financial statements. Also included in the annual report is other supplementary information which is intended to furnish additional detail to support the basic financial statements. These components are described below:

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to private-sector accounting. The statement of net position and changes in it from year to year is a measure of the financial position of the District. Over time, increases or decreases are an indicator of the financial health. Other considerations such as the change in the tax base and funding decisions by the State of Montana affect the financial health.

The statement of net position presents information on all of the assets, deferred outflows of resources, liabilities, and deferred inflows of the District, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The activities include governmental activities and business-type activities.

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Most services normally associated with school government are considered governmental activities, and fall into this category including instruction, support services, general, school and business administrative services, operation and maintenance, student transportation, food services, community services, and other expenditures. The business-type activity of the District is comprised of a school-aged childcare center.

Fund financial statements: A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental and proprietary. With the implementation of GASB 84, Fiduciary Activities, the District no longer has fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same function reported as governmental activities within the government-wide financial statements. These funds focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. They provide a short-term view of the District's general governmental operations and the basic services that it provides. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

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

The District is comprised of an elementary district and a high school district that are separate legal entities required and recognized by state law. The elementary and high school districts each maintain fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general funds of each district, which are considered to be major funds. Data from the remaining governmental funds are combined into a single aggregated presentation.

The District adopts an annual appropriated budget for its general funds, select special revenue, debt service, and building reserve funds as required by state law. The budgetary comparison schedules show how actual expenditures compared to the original and final budgeted expenditures for the general fund. There were no significant variances between the final expenditure budget and the actual expenditures.

Proprietary funds. The District maintains two different types of proprietary funds. The Enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for the School-Aged Child Care (SACC) program. Internal service funds are a group of accounts used to accumulate and allocate cost internally among the various functions of the school district. The District uses internal service funds to account for the warehousing of its art, office, custodial and nursing supplies, for printing services, for collecting health insurance premiums and costs for District employees, and finally to pay the liability premiums of the district. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the District. With the implementation of GASB 84, Fiduciary Activities, the District does not operate any fiduciary funds.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information: In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information.

Financial Analysis of the District as a Whole

The School District as a Whole

As noted earlier, net position may serve over time as a useful indicator of the financial position of the government. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$39,493,320 at the close of the most recent fiscal year.

The school district's investment in capital assets such as land, buildings, and equipment, less related outstanding debt used to acquire the assets represents \$67,556,027 of net position. The Helena School District uses these capital assets to provide educational and related services to students; and as a result, these assets are not available for future spending. Although the investment in the capital assets by the District is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets by law cannot be used to liquidate these liabilities.

The second portion of the net position, restricted net position, of Helena School District which totals \$26,511,782 represents resources that are subject to external restrictions on how they may be used. Of the \$26,511,782, \$5,898,016 or 22% represents unobligated resources in the self-insurance fund, \$8,662,072 or 33% represents resources restricted for capital projects, \$1,840,720 or 7% represents resources restricted for pupil transportation, and \$3,597,137 or 13.57% represents resources restricted for retirement benefits.

The remaining balance is an unrestricted net position deficit totaling \$57,439,490. This deficit is primarily due to the net pension liability for the Montana Public Employees Retirement and Teachers' Retirement systems.

At the end of the current fiscal year, the District is able to report positive balances in net position for the government as a whole as was true for the prior fiscal year.

Net Position

Statement of Net Position June 30, 2025 and 2024

	<u>2025</u>	<u>Total</u> <u>2024</u>
Current and other assets	\$56,531,875	\$50,919,814
Capital assets, net	<u>117,226,050</u>	<u>117,695,925</u>
Total Assets	173,757,925	168,615,739
Deferred Outflows		
-Pensions	9,204,475	11,053,483
-Other post employment benefits	<u>1,172,198</u>	<u>1,751,465</u>
Total deferred outflows	10,376,673	12,804,948
Long-term liabilities outstanding	127,778,528	138,652,964
Other Liabilities	<u>4,465,143</u>	<u>5,215,278</u>
Total liabilities	132,243,671	143,868,242
Deferred Inflows		
-Resources received prior to being earned	65	
-Lease revenue	3,473,259	
-Pensions	6,305,992	5,059,850
-Other post-employment benefits	<u>2,618,291</u>	<u>1,054,734</u>
Total deferred inflows	12,397,607	6,114,584
Net position:		
Net investment in capital assets	67,556,027	64,612,845
Restricted	26,511,783	22,847,349
Unrestricted	<u>(54,574,490)</u>	<u>(59,838,036)</u>
Total net position	<u>\$39,493,320</u>	<u>\$27,622,158</u>

The largest portion of the District's net position is capital assets which include investments in land, buildings, equipment, improvements, and rights to use leased and subscription assets less any outstanding debt used to acquire the assets. The maintenance and deferred maintenance costs associated with these buildings present future liabilities. The Ray Bjork building generates revenue as it is leased to an outside party.

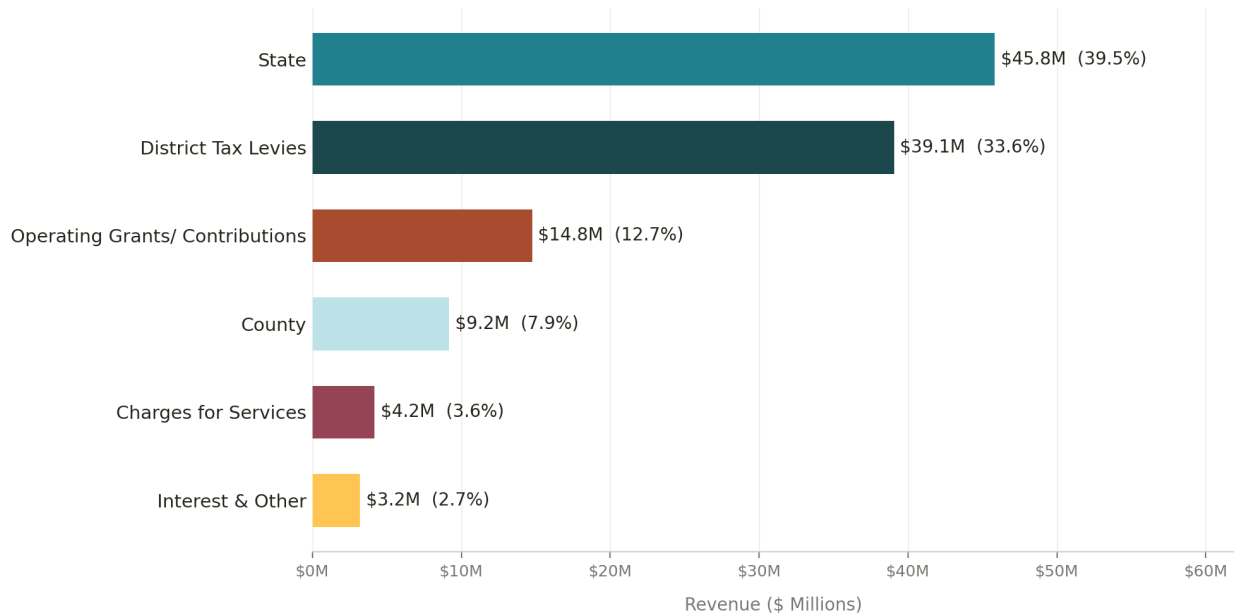
Unrestricted net position can be used to finance day-to-day operations without constraints established by debt covenants, legislative restrictions, or other legal requirements. The current unrestricted balance is a deficit of \$54,574,490.

Revenue & Expense Activities

Changes in Net Activities of Helena School District No. 1

	<u>Total</u>	
	<u>2025</u>	<u>2024</u>
Revenues:		
Program revenues:		
Charges for services	\$4,161,244	\$3,919,442
Operating grants/contributions	14,754,737	14,672,665
Capital grant/contributions	51,600	-
General revenues		
District tax levies	39,076,341	40,555,219
Interest	1,917,126	1,989,893
State	45,832,735	44,904,680
County	9,170,195	10,783,540
Net gain (loss) on disposition of property	24,798	25,323
All other	<u>1,188,884</u>	<u>1,020,277</u>
Total Revenues	116,177,660	117,871,039
Expenses:		
Instruction	56,016,842	65,160,637
Support Services	13,687,516	13,072,651
General Administration	1,452,077	1,510,350
School Administration	6,461,418	7,486,344
Business Administration	2,553,944	2,309,057
Operation and Maintenance	8,693,075	9,894,263
Student Transportation	6,238,081	6,185,810
Food Services	3,839,494	4,040,303
Student Extracurricular	2,981,757	3,102,483
Community Service	376,417	263,067
Interest and fees on Long-term debt	1,781,314	1,988,640
Other	<u>220,744</u>	<u>422,185</u>
Total expenses	<u>104,302,678</u>	<u>115,435,790</u>
Increase/(Decrease) in net position	11,874,982	2,435,249
Net position, prior year	<u>27,622,158</u>	<u>25,236,642</u>
Prior Period Adjustments:		
Restatements	(3,820)	(49,733)
Net position, current year	<u>39,493,320</u>	<u>27,622,158</u>

FY 2024-2025 Revenues by Source



The state provided a 3% inflationary increase for the basic and per-ANB entitlements, quality educator payment, Indian Education for All payment, American Indian achievement gap payment, and data for achievement payment. The SPED instructional block grant rate increased from \$154.21 to \$158.83, and the special education related services block grant increased from \$51.40 to \$52.94. The threshold to determine disproportionate costs was also raised. The 69th Legislature established the STARS Act (HB 252) – Student and Teacher Advancement for Results and Success – and Helena was approved for expanded quality educator payment. In addition, the Board of Public Education approved all five of the District's public charter school applications. Overall, state aid to the general fund increased by approximately \$928,055.

New transportation legislation requires the state to pay 75% of on-schedule transportation reimbursement (up from 50%), with the county paying the remaining 25% (down from 50%). This shift in the funding formula resulted in county revenue decreasing \$1,613,345 while state transportation funding increased correspondingly.

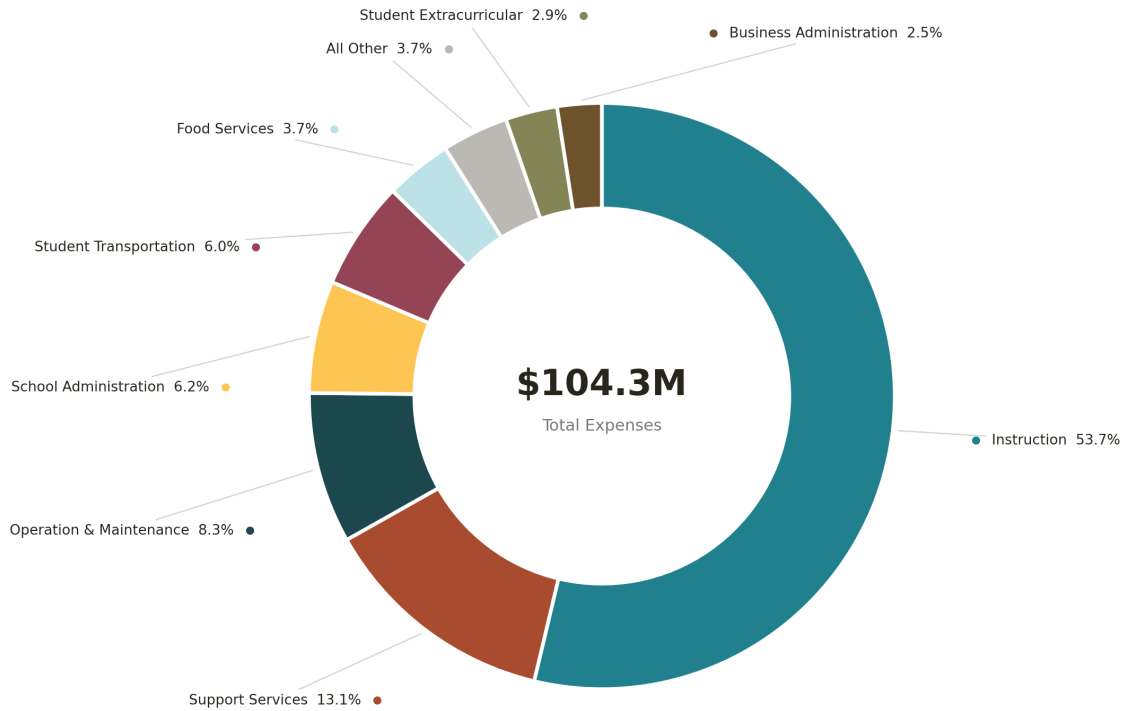
The District received Advanced Opportunity Aid in the high school flexibility fund. The grant money is accounted for in the high school flexibility fund and is used to reduce student and family out-of-pocket costs for AP exams, dual credit classes, other course fees, and for the enhancement of career and technical education programs.

Building reserve levies, approved by voters on May 2, 2023, for a term of 10 years, continue to provide \$3,000,000 per year for the elementary district and \$1,500,000 per year for the high school district.

Instruction expenses decreased \$9,143,795 from the prior year, primarily due to the improved enterprise fund net position (the self-insurance fund improved from -\$2,190,828 in FY2024 to \$1,739,740 in FY2025 as revenues increased approximately \$1 million and expenditures/claims decreased approximately \$3 million) and a decreased net pension expenditure adjustment.

Health benefits increased by \$37.50 from \$1,032 to approximately \$1,070 (monthly).

FY 2024-2025 Expenditures by Function



Balance Sheet & Fund Balances

Governmental funds cash and cash equivalents increased approximately \$5.1 million, from \$34,984,350 to \$49,519,170. While this represents a notable increase, it should be viewed in the context of the District's total cash position. Several factors contributed to the growth. Approximately \$1.3 million relates to state and federal grant funding, which can fluctuate based on the timing of year-end payments from OPI. Building reserve funds accounted for approximately \$2.2 million of the increase; however, these reserves carry approximately \$3 million in associated liabilities, meaning a significant portion of that cash is already obligated. The interlocal fund contributed approximately \$1.1 million, which strengthens the District's overall reserve position. Additionally, increases in accounts payable at year-end supported higher cash balances, as expenditures were accrued but not yet disbursed.

The lease receivable is related to the lease of the Ray Bjork building. We engaged in a 20 year lease which began in January 2024 and will expire in December 2044. The building is being used as a childcare facility.

Capital Assets and Long-Term Debt Highlights

The investment by the district in capital assets for the government and business-type activities as of June 30, 2025 was \$117,221,898 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, and intangible right-of-use assets.

Capital Assets of Helena School District No. 1

	Governmental Activities		Business Activities	
	2025	2024	2025	2024
Land	4,062,830	4,062,830		
Construction in Progress	832,214	295,030		
Land Improvements	3,356,096	3,584,090		
Buildings	107,670,695	108,225,110	4,152	6,922
Macinery & Equipment	1,161,174	1,233,685		1,184
Intangible right of use assets	138,889	298,419		
Total	117,221,898	117,699,164	4,152	8,106

Long-term debt. On May 2, 2017, District voters approved a \$63 million elementary bond to build three new elementary schools: Central Elementary, Bryant Elementary, and Jim Darcy Elementary. At the end of the current fiscal year, the District had total general obligation debt outstanding of \$44,770,000 and unamortized bond premium of \$4,908,987. All of the general obligation debt is backed by the full faith and credit of the government.

	Original Issue Amount	Original Issue Maturity Date	Interest Rate	Outstanding Balance
Elementary Series 2017	55,000,000	7/1/2037	3.00-5.00%	38,625,000
Elementary Series 2019	8,000,000	7/1/2039	3.00-4.00%	6,145,000
				<u>44,770,000</u>
		Unamortized bond premium		<u>4,908,987</u>
				<u>49,678,987</u>

The governmental capital assets, net of depreciation decreased \$477,266 and business-type (SACC) capital assets, net of depreciation decreased \$3,954 in fiscal year 2025.

Other long-term liabilities included compensated absences of \$5,509,329 for governmental funds and \$104,522 for the enterprise fund. Another debt component, OPEB, reflects future health benefits estimated to be paid to employees for health insurance premiums. Additional information regarding the long-term debt for the district can be found in the notes.

Subsequent to year end, voters approved general obligation bond measures totaling \$283 million, consisting of approximately \$240 million for high school facilities and \$43 million for elementary facilities. The bond proceeds are intended to fund the construction, renovation, and modernization of school facilities and related improvements. No bond proceeds had been issued or expended as of June 30, 2025. The first series of bonds were issued in late 2025.

State law limits the amount of general obligation debt that the school district may issue up to 100% percent of its guaranteed tax base rate per student. The current debt limitation for the Elementary District is \$275,524,860 and \$341,710,520 at the high school district, both are in excess of the net amount of outstanding general obligation debt.

The Helena School District maintains a bond rating of AA/A1 due to its moderately sized tax base that has experienced steady growth, slightly below average wealth levels and satisfactory financial performance.

Fund Financial Statements

General Fund

The General Fund includes the primary operations of the District in providing educational services to students. This fund reported a total fund balance of \$15.2 million, an increase of \$1.83 million from the prior year.

Basic General Fund Budget revenue is determined by a state formula that has Basic Entitlement Rates for Elementary, Middle, and High Schools along with a Per Average Number Belonging component with rates set on a per pupil amount. It also includes Funding Components in categories of Data for Achievement, Indian Education for All, American Indian Student Achievement Gap funding, At Risk Student component, and a Quality Educator payment. These are funding on a per student basis and a certified staff member basis for the Quality Educator payment. The formula guarantees that all schools in the state will meet an established Base level. Any amounts above the Base level are required to be approved by local taxpayers.

The legislature meets once every two years. Laws passed in the 2023 Session had an impact on funding for the District. Laws enacted include changes to Tuition, the addition of Charter Schools, and Targeted Intervention to Support 3rd Grade Literacy.

Summary of General Fund Revenues

	Year-ended June 30,		Increase (Decrease)	Percent Change
	2025	2024		
Property taxes	\$ 18,871,944	\$ 20,089,160	\$ (1,217,216)	-6.06%
State of Montana	45,982,015	43,243,089	2,738,926	6.33%
Tuition and fees	254,678	288,155	(33,477)	-11.62%
Interest	556,600	597,449	(40,849)	-6.84%
Other district revenue	8,177	5,231	2,946	56.32%
County	-	-	-	
Total revenues	\$ 65,673,414	\$ 64,223,084	1,450,330.00	2.26%

Revenue in the general fund (comprised of the elementary and high school general funds, the elementary flexibility fund, and interlocal fund) reflected the impact of charter school entitlements, the 3% state inflationary increase, and the STARS Act expanded quality educator payment. State aid to the general fund increased by approximately \$2,738,926.

Tuition	FY24		FY25		Increase/Decrease	
	Elementary	High School	Elementary	High School	Elementary	High School
Direct State Aid	\$15,649,250	\$8,971,372	\$16,060,652	\$9,388,784	\$411,403	\$417,412
Quality Educator	\$1,505,669	\$702,652	\$1,437,006	\$688,688	(\$68,662)	(\$13,964)
At risk	\$151,907	\$51,179	\$144,614	\$48,722	(\$7,293)	(\$2,457)
Indian Education for All	\$129,999	\$61,664	\$132,485	\$62,289	\$2,486	\$625
American Indian achievement gap	\$83,660	\$31,020	\$79,618	\$34,122	(\$4,042)	\$3,102
Data for achievement	\$124,453	\$59,033	\$126,837	\$59,634	\$2,384	\$601
SPED Allowable Costs	\$2,054,523	\$526,773	\$2,149,440	\$617,731	\$94,916	\$90,958
Guaranteed Tax Base Aid	\$8,132,063	\$4,808,991	\$9,687,106	\$5,264,288	\$1,555,043	\$455,297
Total	\$27,831,523	\$15,212,683	\$29,817,758	\$16,164,257	\$1,986,235	\$951,574

Tuition revenue in the general fund decreased \$29,747 in the High School and \$3,730 in the elementary school. This can be attributed to the declining enrollment trends consistent across the state. In the tuition fund, HB203 allows districts to invoice for out-of-district students. Tuition receipts received by the district will be offset by required reductions in property taxes. These changes will be reflected in FY2026.

Summary of General Fund Expenditures

	Year-ended June 30,		Increase (Decrease)
	2025	2024	
Instructional Services	\$ 42,297,485	44,250,254	(1,952,769)
Support Services			-
Improvement of Instruction Services	4,573,275	2,922,575	1,650,700
General Administration	1,056,801	1,082,436	(25,635)
School Administration	5,443,964	5,183,734	260,230
Business Services	2,183,167	1,721,749	461,418
Other	1,682,548	1,815,060	(132,512)
Operations and maintenance	6,423,481	7,078,763	(655,282)
Student transportation	268,771	356	268,415
Extracurricular	1,515,164	1,435,496	79,668
Capital Outlay	86,396	695	85,701
Debt Service	132,467	-	132,467
			-
Total General Fund Expenditures	\$ 65,663,519	\$ 65,491,118	172,401
Excess (deficiency) of revenues over (under) expenditures	\$ 9,895	\$ (1,268,034)	1,277,929

All employee groups received a 1.5% increase in salaries. This includes teachers, independents, administrators, paraprofessionals, secretaries, custodians, carpenters, electricians, painters, and plumbers/mechanics. However, with the 1.5% increase, total salary expenses went down as a result of retiree replacements at lower salaries and the reduction of one elementary principal from full-time FTE to half-time FTE.

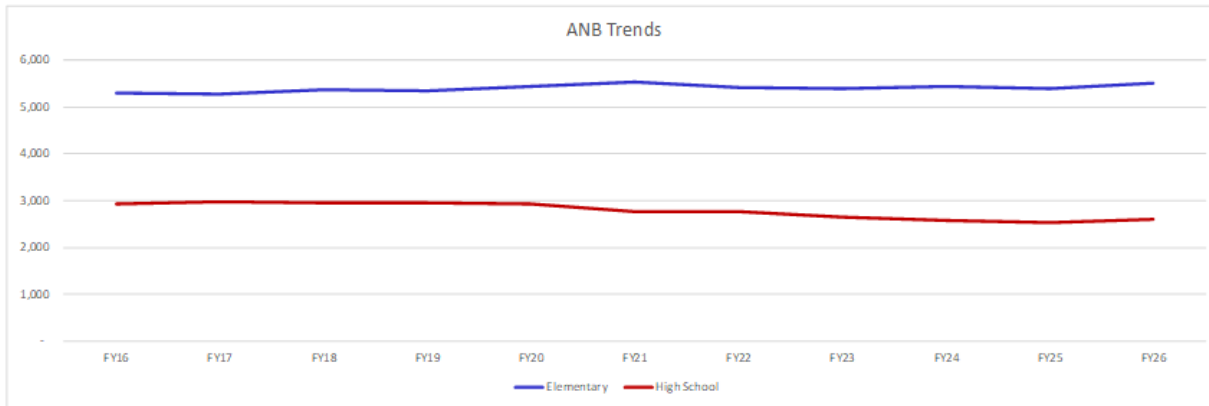
Economic Factors and Next Year's Budgets

Economic conditions, legislative changes, and contractual commitments all influenced the development of the District's 2025-2026 budgets. District enrollment patterns and collective bargaining agreements, together with public education funding changes adopted by the 2025 Montana Legislature, are the primary drivers of both the current financial plan and the outlook for future years. Enrollment levels continue to trend downward, which places ongoing pressure on the District's general fund, particularly in the Elementary District.

Salary increases provided under the current collective bargaining agreement have added to this pressure on general fund resources. To help manage these impacts, the District is drawing on available budget flexibility, including support from the multi-district fund, flex funds, and prior-year federal grant carryover. The STARS Act, enacted by the Montana Legislature in 2025, increases general fund revenue for 2025-2026 to support the recruitment and retention of teaching staff. In future years, additional 2025 legislative changes that move from a district taxable value base to a county-wide taxable value base are expected to ease the tax burden on local taxpayers.

ANB Trends – Elementary and High School

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Elementary	5,290	5,281	5,369	5,333	5,437	5,532	5,415	5,397	5,437	5,379	5,510
High School	2,934	2,979	2,963	2,953	2,927	2,765	2,774	2,647	2,579	2,529	2,597



Both elementary and high school technology levy propositions failed for the second consecutive year. The elementary technology fund is nearly depleted.

New transportation legislation requires the state to pay 75% of on-schedule transportation reimbursement (up from 50%), with the county paying 25% (down from 50%).

On September 9, 2025, voters narrowly approved \$283 million in bonds — \$240 million for the high school (50.82% yes) and \$43 million for the elementary (50.91% yes) — to renovate Capital High School and build a new Helena High School and Kessler Elementary School. This will significantly impact future debt service budgets.

Requests for Information

These financial reports are designed to provide a general overview of the finances of the District for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the Business Services Administrator, 1325 Poplar St., Helena, MT, 59601.

BASIC FINANCIAL STATEMENTS

HELENA SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2025

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and cash equivalents	\$ 49,519,170	\$ 57,290	\$ 49,576,460
Property taxes receivable	1,342,075	-	1,342,075
Due from other governments	1,598,373	1,919	1,600,292
Accounts receivable	350,799	4,905	355,704
Lease receivable	3,473,259	-	3,473,259
Inventories	173,365	-	173,365
Prepaid expenses	10,420	300	10,720
Capital assets not being depreciated	4,895,044	-	4,895,044
Capital assets, net of accumulated depreciation	112,187,965	4,152	112,192,117
Intangible right of use assets, net of accumulated amortization	138,889	-	138,889
Total assets	173,689,359	68,566	173,757,925
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows - pension plans	9,067,446	137,029	9,204,475
Deferred outflows - other post-employment benefits	1,172,198	-	1,172,198
Total deferred outflows of resources	10,239,644	137,029	10,376,673
<u>LIABILITIES</u>			
Accounts payable	1,383,459	356	1,383,815
Accrued self-insurance claims	2,787,652	-	2,787,652
Unearned revenue	268,629	25,047	293,676
<u>Noncurrent liabilities</u>			
Due within one year:			
Bonds payable	3,507,180	-	3,507,180
Subscription liability	40,370	-	40,370
Compensated absences	1,288,742	57,302	1,346,044
Due in more than one year:			
Bonds payable	46,171,807	-	46,171,807
Compensated absences	4,220,587	47,220	4,267,807
Other post-employment benefits	2,430,212	-	2,430,212
Net pension liability	68,978,865	1,036,243	70,015,108
Total liabilities	131,077,503	1,166,168	132,243,671
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Resources received prior to being earned	65	-	65
Deferred lease revenue	3,473,259	-	3,473,259
Deferred inflows - pension plans	6,213,554	92,438	6,305,992
Deferred inflows - other post-employment benefits	2,618,291	-	2,618,291
Total deferred inflows of resources	12,305,169	92,438	12,397,607
<u>NET POSITION (DEFICIT)</u>			
Net investment in capital assets	67,551,875	4,152	67,556,027
Restricted for:			
Instruction	2,206,818	-	2,206,818
Transportation	1,840,720	-	1,840,720
Retirement benefits	3,597,137	-	3,597,137
Support services	1,666,259	-	1,666,259
Debt service	1,165,454	-	1,165,454
Capital projects	8,662,072	-	8,662,072
Extracurricular activities	1,130,930	-	1,130,930
Scholarships	344,376	-	344,376
Health insurance benefits	5,898,017	-	5,898,017
Unrestricted	(53,517,327)	(1,057,163)	(54,574,490)
Total net position (deficit)	\$ 40,546,331	\$ (1,053,011)	\$ 39,493,320

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

**HELENA SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

<u>ACTIVITIES OR FUNCTIONS</u>	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>		
			<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<u>Governmental activities:</u>							
Instructional services:							
Regular	\$ 44,442,357	\$ 429,256	\$ 3,730,386	\$ -	\$ (40,282,715)		\$ (40,282,715)
Special education	9,105,935	-	4,923,261	-	(4,182,674)		(4,182,674)
Vocational education	1,953,344	-	319,928	-	(1,633,416)		(1,633,416)
Adult education	515,206	-	85,338	-	(429,868)		(429,868)
Support services:							
Improvement of instruction services	10,543,822	20,772	1,517,986	-	(9,005,064)		(9,005,064)
Educational media services	1,893,754	29,001	-	-	(1,864,753)		(1,864,753)
General administration	1,452,077	-	-	-	(1,452,077)		(1,452,077)
School administration	6,461,418	-	-	-	(6,461,418)		(6,461,418)
Business services	2,553,944	-	-	-	(2,553,944)		(2,553,944)
Operations and maintenance of plant	8,693,075	336,080	481,680	51,600	(7,823,715)		(7,823,715)
Student transportation services	6,238,081	26,362	950,456	-	(5,261,263)		(5,261,263)
Community services	376,417	-	-	-	(376,417)		(376,417)
Other	220,744	-	-	-	(220,744)		(220,744)
Non-instructional services:							
Extracurricular	2,981,757	1,393,485	-	-	(1,588,272)		(1,588,272)
School food	3,839,494	833,303	2,686,804	-	(319,387)		(319,387)
Debt service:							
Interest payments	1,368,938	-	-	-	(1,368,938)		(1,368,938)
Bond agency fees	500	-	-	-	(500)		(500)
Special assessments	411,876	-	-	-	(411,876)		(411,876)
Total governmental activities	103,052,738	3,068,259	14,695,839	51,600	(85,237,040)		(85,237,040)
<u>Business-type activities:</u>							
SACC	1,249,940	1,092,985	58,898	-		\$ (98,057)	(98,057)
Total governmental and business-type activities	\$ 104,302,678	\$ 4,161,244	\$ 14,754,737	\$ 51,600	(85,237,040)	(98,057)	(85,335,097)
<u>General revenues</u>							
Property taxes for general purposes					39,076,341	-	39,076,341
State aid/entitlements					45,832,735	-	45,832,735
County retirement distribution					9,170,195	-	9,170,195
Other revenue local sources					1,145,924	42,960	1,188,884
Investment earnings					1,916,842	284	1,917,126
Net gain/(loss) on disposition of property					24,798	-	24,798
Total general revenues					97,166,835	43,244	97,210,079
Change in net position					11,929,795	(54,813)	11,874,982
Net position - beginning					28,620,356	(998,198)	27,622,158
Prior period adjustment-restatements					(3,820)	-	(3,820)
Net position - beginning - restated					28,616,536	(998,198)	27,618,338
Net position - ending					\$ 40,546,331	\$ (1,053,011)	\$ 39,493,320

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

**HELENA SCHOOL DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Elementary Miscellaneous	Elementary Building Reserve		
ASSETS					
Cash and cash equivalents	\$ 15,161,981	\$ 4,347,540	\$ 5,379,852	\$ 15,206,456	\$ 40,095,829
Property taxes receivable	652,256	-	107,831	581,988	1,342,075
Due from other governments	-	926,464	-	671,909	1,598,373
Accounts receivable	75,327	10,923	-	152,235	238,485
Lease receivable	-	3,473,259	-	-	3,473,259
Prepaid expenses	-	-	-	10,420	10,420
Total assets	\$ 15,889,564	\$ 8,758,186	\$ 5,487,683	\$ 16,623,008	\$ 46,758,441
LIABILITIES					
Accounts payable	\$ 472,567.00	\$ 54,937.00	\$ 419,963.00	\$ 269,582.00	\$ 1,217,049.00
Unearned revenue	-	2,616	-	266,013	268,629
Total liabilities	472,567	57,553	419,963	535,595	1,485,678
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	222,228	-	33,693	190,156	446,077
Deferred lease revenue	-	3,473,259	-	-	3,473,259
Resources received prior to being earned	-	-	-	65	65
Total deferred inflows of resources	222,228	3,473,259	33,693	190,221	3,919,401
FUND BALANCES					
Non-spendable fund balance	-	-	-	10,420	10,420
Spendable fund balance:					
Restricted	-	644,907	5,034,027	14,887,580	20,566,514
Assigned	185,812	4,582,467	-	999,192	5,767,471
Unassigned	15,008,957	-	-	-	15,008,957
Total fund balances	15,194,769	5,227,374	5,034,027	15,897,192	41,353,362
Total liabilities, deferred inflows, and fund balances	\$ 15,889,564	\$ 8,758,186	\$ 5,487,683	\$ 16,623,008	\$ 46,758,441

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

HELENA SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total fund balances for governmental funds	\$ 41,353,362
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	117,083,009
Intangible right of use assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	138,889
Property taxes receivable are not available to pay current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.	446,077
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	6,579,079
Some liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position:	
General obligation bonds	(49,678,987)
Subscription liability	(40,370)
Compensated absences liability	(5,496,837)
Post employment health insurance benefits	(2,430,212)
Net pension liability	<u>(68,810,355)</u>
	(126,456,761)
Deferred outflows and inflows of resources related to pension plans and other post-employment benefits are not current financial resources and, therefore, are not reported in the governmental funds.	1,402,676
Total net position of governmental activities	<u><u>\$ 40,546,331</u></u>

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

HELENA SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Major Funds				
	General	Elementary Miscellaneous	Elementary Building Reserve	Other Governmental Funds	
REVENUES					
Property taxes	\$ 18,871,944	-	\$ 3,283,421	\$ 17,268,325	\$ 39,423,690
Tuition and fees	254,678	275,111	-	451,529	981,318
Interest	556,600	177,185	167,745	678,265	1,579,795
Other district revenue	8,177	692,233	50,971	722,588	1,473,969
County	-	-	-	9,645,423	9,645,423
State of Montana	45,982,015	1,372,187	327,419	2,033,194	49,714,815
Federal	-	4,269,465	-	4,032,501	8,301,966
School lunch sales	-	-	-	833,303	833,303
Student extracurricular activity	-	-	-	1,162,415	1,162,415
Total revenues	<u>65,673,414</u>	<u>6,786,181</u>	<u>3,829,556</u>	<u>36,827,543</u>	<u>113,116,694</u>
EXPENDITURES					
Instructional services:					
Regular	35,161,606	1,742,257	-	6,642,170	43,546,033
Special education	5,489,109	69,194	-	3,679,091	9,237,394
Vocational education	1,646,770	-	-	334,616	1,981,386
Adult education	-	2,799	-	519,845	522,644
Support services:					
Improvement of instruction services	4,573,275	3,159,524	613,155	2,382,754	10,728,708
Educational media services	1,661,553	24,521	1,299	233,701	1,921,074
General administration	1,056,801	14,990	84,719	296,521	1,453,031
School administration	5,443,964	96,920	-	1,041,566	6,582,450
Business services	2,183,167	61,141	-	187,466	2,431,774
Operations and maintenance of plant	6,423,481	354,263	656,313	959,228	8,393,285
Student transportation services	268,771	-	-	5,984,394	6,253,165
Community services	14,428	166,537	-	45,731	226,696
Other	6,567	139,679	-	233,632	379,878
Non-instructional services:					
Extracurricular	1,515,164	-	-	1,425,766	2,940,930
School food	-	-	-	3,866,784	3,866,784
Capital outlay	86,396	-	1,237,695	827,863	2,151,954
Debt service:					
Principal payments	122,867	-	-	2,760,000	2,882,867
Interest payments	9,600	-	-	1,921,000	1,930,600
Bond agency fees	-	-	-	500	500
Special assessments	-	-	-	411,876	411,876
Total expenditures	<u>65,663,519</u>	<u>5,831,825</u>	<u>2,593,181</u>	<u>33,754,504</u>	<u>107,843,029</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,895</u>	<u>954,356</u>	<u>1,236,375</u>	<u>3,073,039</u>	<u>5,273,665</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,757,752	-	-	16,000	1,773,752
Transfers (out)	(606,555)	-	-	(1,839,000)	(2,445,555)
Proceeds from sale of fixed assets	-	572	7,346	5,206	13,124
Transfers (To)/From other districts	671,803	-	-	-	671,803
Insurance recovery	-	11,674	-	3,924	15,598
Total other financing sources (uses)	<u>1,823,000</u>	<u>12,246</u>	<u>7,346</u>	<u>(1,813,870)</u>	<u>28,722</u>
Net change in fund balance	<u>1,832,895</u>	<u>966,602</u>	<u>1,243,721</u>	<u>1,259,169</u>	<u>5,302,387</u>
Fund Balance - Beginning	13,364,635	4,334,077	-	18,356,083	36,054,795
Restatements	(2,761)	(73,305)	3,790,306	(3,718,060)	(3,820)
Fund Balance - Beginning Restated	<u>13,361,874</u>	<u>4,260,772</u>	<u>3,790,306</u>	<u>14,638,023</u>	<u>36,050,975</u>
Fund Balance - Ending	<u>\$ 15,194,769</u>	<u>\$ 5,227,374</u>	<u>\$ 5,034,027</u>	<u>\$ 15,897,192</u>	<u>\$ 41,353,362</u>

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

HELENA SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Net change in fund balances - total governmental funds \$ 5,302,387

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are:

Capital outlays - governmental funds	\$ 2,151,954	
Depreciation expense	<u>(2,458,345)</u>	(306,391)

Lease accounting guidance requires the capitalizing of leases having a non-cancelable period greater than 12 months. Governmental funds report rental expenditures on these leases as incurred. However, in the statement of activities, the capitalized lease is amortized over the lease term and interest expense is recognized.

Rent expense - governmental funds	75,980	
Amortization expense	<u>(75,380)</u>	600

Subscription agreement accounting guidance requires the capitalizing of subscription agreements having a non-cancelable period greater than 12 months. Governmental funds report rental expenditures on these leases as incurred. However, in the statement of activities, the capitalized subscription agreement is amortized over the lease term and interest expense is recognized.

Rent expense - governmental funds	46,887	
Amortization expense	<u>(84,151)</u>	(37,264)

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows in the funds. Deferred property tax revenue decreased during the fiscal year.

(347,349)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is reported with the governmental activities.

1,739,740

The issuance of long-term debt (e.g. bonds, notes and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal payments on long-term debt		2,760,000
Amortization of bond premium		561,662
Post employment health insurance benefits		(55,663)
Compensated absences liability		75,741

In the governmental funds, benefits earned net of employee contributions is not recognized as an expense.

388,913

On behalf pension contributions by the State are considered revenues in the statement of activities.

1,847,419

Change in net position - statement of activities

\$ 11,929,795

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

HELENA SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	Business-Type Activities SACC Enterprise Fund	Governmental Activities Internal Service Funds
<u>ASSETS</u>		
<u>Assets</u>		
Cash and cash equivalents	\$ 57,290	\$ 9,423,341
Due from other governments	1,919	-
Accounts receivable	4,905	112,314
Inventories	-	173,365
Prepaid expenses	300	-
Buildings	4,152	
Total assets	68,566	9,709,020
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows - pension plans	137,029	21,277
Total deferred outflows of resources	137,029	21,277
 <u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	356	166,410
Compensated absences	57,302	4,378
Claims payable	-	2,787,652
Resources received prior to being earned	25,047	-
Total current liabilities	82,705	2,958,440
 <u>Noncurrent liabilities</u>		
Compensated absences	47,220	8,114
Net pension liability	1,036,243	168,510
Total long-term liabilities	1,130,683	176,624
Total liabilities	1,213,388	3,135,064
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows - pension plans	92,438	16,154
Total deferred inflows of resources	92,438	16,154
 <u>NET POSITION</u>		
Net investment in capital assets	4,152	-
Restricted-health insurance benefits	-	5,898,017
Unrestricted	(1,057,163)	681,062
Total net position	\$ (1,053,011)	\$ 6,579,079

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

HELENA SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Business-Type Activities SACC Enterprise Fund	Governmental Activities Internal Service Funds
<u>OPERATING REVENUES</u>		
Grants	\$ 58,898	\$ -
Charges for services	1,092,985	14,518,850
Other	13,393	41
Total operating revenues	1,165,276	14,518,891
<u>OPERATING EXPENSES</u>		
Personal services	1,103,146	179,748
Contractual services	37,099	12,880,893
Supplies/materials	74,345	36,953
Other operating expenses	31,396	21,216
Depreciation and amortization	3,954	-
Total operating expenses	1,249,940	13,118,810
Operating income (loss)	(84,664)	1,400,081
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Intergovernmental revenue	29,567	2,612
Interest earnings	284	337,047
Total non-operating revenues (expenses)	29,851	339,659
Change in net position	(54,813)	1,739,740
Net position - beginning of the year	(998,198)	4,839,339
Net position - end of the year	\$ (1,053,011)	\$ 6,579,079

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

HELENA SCHOOL DISTRICT NO. 1

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Business-Type Activities SACC Enterprise Fund	Governmental Activities Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from sales and services	\$ 1,105,002	\$ 14,408,808
Receipts from grants	58,968	-
Payments to suppliers for goods/services	(146,145)	34,436
Payments for claims	-	(14,398,177)
Payments to employees	(1,041,606)	(176,810)
Net cash provided (used) by operating activities	<u>(23,781)</u>	<u>(131,743)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Subsidy from other governments	<u>29,567</u>	<u>2,612</u>
Net cash provided (used) by noncapital financing activities	<u>29,567</u>	<u>2,612</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest on investments	<u>284</u>	<u>337,047</u>
Net cash provided (used) by investing activities	<u>284</u>	<u>337,047</u>
Net increase (decrease) in cash and cash equivalents	6,070	207,916
Cash and cash equivalents at July 1, 2024	51,220	9,215,425
Cash and cash equivalents at June 30, 2025	<u>\$ 57,290</u>	<u>\$ 9,423,341</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (84,664)	\$ 1,400,081
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	3,954	-
Changes in assets and liabilities:		
Decrease (increase) in inventories	-	(57,779)
Decrease (increase) in accounts receivable	(56)	(110,083)
Decrease (increase) in due from other governments	(1,320)	-
Decrease (increase) in prepaid expenses	74	-
Increase (decrease) in accounts payable	(3,379)	150,384
Increase (decrease) in deferred in/outflows	40,412	564
Increase (decrease) in claims payable	-	(1,517,284)
Increase (decrease) in grant resources received prior to being earned	70	
Increase (decrease) in compensated absences payable	(30,892)	1,561
Increase (decrease) in pension liability	52,020	813
Net cash provided (used) by operating activities	<u>\$ (23,781)</u>	<u>\$ (131,743)</u>
Non-Cash Items:		
Intangible right of use assets obtained with lease financing		<u>\$ 69,898</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

Helena School District No. 1

Notes to the Basic Financial Statements

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Helena School District #1 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. Reporting entity

The District is a public school comprised of an elementary district that is governed by an elected seven-member board of trustees and a high school district that is governed by the seven elementary trustees and one additional elected high school only trustee. The accompanying financial statements include all of the operations of the two districts financially accountable to the combined Board of Trustees. There are no potential component units that meet any of the criteria to be either blended or discretely presented. The District is not a component unit of any other primary government.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Fiduciary activities are reported only in the fund financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that clearly are identifiable with a specific function or segment. *Program revenues* include 1) fees and charges paid by students and other recipients of goods or services offered by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirement of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

Depreciation expense for capital assets that can specifically be identified with a function is included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building that is used primarily for instructional and other functions such as administration) is ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the Statement of Activities as a separate line item.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

C. Measurement focus, basis of accounting, and financial statement presentation

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

Helena School District No. 1

Notes to the Basic Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are measurable and available. Revenue is considered to be available if it is collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. These revenues include grants (to the extent that revenues are earned as eligible expenditures are incurred), and property taxes collected within sixty days of year end. All other revenue items are considered to be measurable and available only when the government receives cash. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures as well as expenditures relating to compensated absences and claims are recorded only when payment is due.

1) Fund Financial Statements

The District uses funds to report financial position and the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The financial activities of the District are classified into fund categories as described below.

Governmental Funds

The District reports the following major governmental funds:

- General Funds - are the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. In addition to Funds 101 and 201, (Elementary and High School General) the District includes Funds 129 (Elementary Flexibility), and Fund 182 (Elementary Interlocal) in its general funds as the revenue streams are unrestricted.
- Elementary Miscellaneous Programs - This fund accounts for the activities of grants. Major resources are federal, state and local grants while expenditures include salaries, benefits, and operational supplies in relation to the grant purpose, generally instructional. A significant amount of the resources available to this fund are restricted.
- Elementary Building Reserve – This fund is authorized by Montana Code Annotated (MCA) for the purpose of financing voter approved building or construction projects funded with district mill levies. In addition to the voted levies, the District also takes advantage of the permissive levy to address safety and security needs in the district.

The District reports the following major proprietary fund:

- School Aged Child Care – This fund accounts for the activities of the day care of the school district. Significant revenues include tuition. Expenses consist of staff salaries/benefits and operational supplies for the program.

Additionally, the District reports the following fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources, generally taxes that are committed or legally restricted to expenditure for specified purposes other than major capital projects or debt.

Debt Service Funds – are used to account for resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds – are used to account for resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and procurement of equipment necessary for providing education programs for students within the District.

Permanent Funds – are used to account for resources that are permanently restricted to the extent that only earnings, not principal, may be used for the purposes of supporting the government's programs.

Helena School District No. 1

Notes to the Basic Financial Statements

Proprietary Funds

Enterprise Funds – are used to account for operations 1) financed and operated similar to private business enterprises, where the intent of the Trustees is to finance or recover costs primarily through user charges; 2) where the Trustees have decided periodic determination of revenue earned, expenses incurred, or net income is appropriate, or 3) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity. The District has one enterprise fund.

Internal Service Funds – are used to account for the financing of goods and services provided by one department or agency to other departments, agencies, or other governmental entities on a cost-reimbursement basis.

Fiduciary Funds

These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or other governments. These assets cannot be used to support the programs of the government. The District does not report any private purpose trust funds or fiduciary funds.

Private Purpose Trust Funds – are to account for assets held by the District in a trustee capacity, where both the principal and earnings benefit individuals, private organizations or other governments.

Proprietary Activity Accounting and Financial Reporting

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants (state and federal), and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the ongoing operations of a proprietary fund. The principal operating revenues of the District's School Aged Child Care enterprise (SACC) fund and of the District's internal service funds are charges to customers, individual schools or employees for sales, services, or insurance premiums. Operating expenses for the enterprise fund and internal service funds include the cost of sales and services, administrative expenses, depreciation, medical premiums and expenses and associated costs. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Indirect expenses include general government, support services, administration, transportation, extracurricular costs and are based on a full cost allocation approach which spread the expenses among the functions. The allocation is performed through the general fund and is included in the direct program expenses for various function activities within the individual funds.

D. Assets, liabilities, and net position or equity

1) Deposits and investments

The majority of the cash of the District is held by the Lewis and Clark County Treasurer and is pooled with other County cash in an external investment pool. A portion of the Student Extracurricular Fund has cash deposits in checking accounts at four different banks which are fully insured through the Federal Deposit Insurance Corporation (FDIC). The County Treasurer, at the direction of the District Trustees, invests the pooled cash pursuant to State Law (MCA 20-9-213(4)). Allowable investments include direct obligations of the United States Government and some United States Agencies, savings or time deposits in a state or national bank, building and loan associations, savings and loans associations, or credit unions insured by the FDIC or NCUA located in the State, or in a repurchase agreement. It is allowable to invest monies under the Short-term investment pool (STIP) of the State Unified Investment Program established in Title 17, Chapter 6, Montana Code Annotated. Interest income earned is distributed pro-rata to the appropriate funds using the average monthly balance of cash in each fund.

2) Receivables and payables

The District did not have activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year generally referred to as "due to/from other funds." The District does not have any residual balances outstanding between the governmental activities and business-type activities.

Helena School District No. 1

Notes to the Basic Financial Statements

All trade receivables, including those for the SACC, are shown as the gross charge. These receivables are deemed to be fully collectible and, as such, no allowance for doubtful accounts receivable has been established. Property tax receivables are shown as the gross charge as entered into the system by the Lewis and Clark County Assessor/Treasurer and Clerk and Recorder. Both property taxes and payments from the County and State are not shared taxes.

Property taxes are levied as assessed on January 1 of each year. The tax levy is divided into two billings and is due November 30 of the current year and May 31 of the ensuing year. The billings are considered past due after the due date, at which time, penalty and interest charges are assessed.

3) Inventory and prepaid expenses

Inventories are valued at cost using the weighted average method. Inventories reflect the balances in internal service funds and are recorded as expenditures based on the consumption method. Inventories are expensed when purchased because the amounts on hand at the end of the year are not material. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

4) Capital assets

Capital assets, which include property, plant, construction in progress, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with a significant value, more than \$25,000 for land, buildings and building improvements and \$5,000 for all other assets, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capital assets purchased with grant funds comply with the specific requirements listed with each grant authorization.

The costs of normal maintenance and repairs that do not increase the capacity or efficiency of the asset or extend its useful life beyond the original estimate are not capitalized. Major outlays for capital assets and improvements are capitalized as projects when completed. Upon disposal of capital assets, historical cost or estimated historical cost is removed. Proceeds from the sales are generally recorded as revenue in the fund that originally acquired the assets.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives. Salvage value is not used:

<u>Assets</u>	<u>Years</u>
Land Improvements	80
Buildings	80
Building Improvements	80
Vehicles	5
Instructional, Computers, Audio Visual Equipment	3
Musical, Athletic, Playground Equipment, Other	10

5) Accounts payable

Accounts payable to vendors and contractors include general accounts, retainages, deposits, and other accrued contingent liabilities not included in short or long-term liabilities.

Helena School District No. 1

Notes to the Basic Financial Statements

6) Compensated absences

Non-teaching District employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service, as required by Montana State law. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for all employees with no limit on accumulation. Upon retirement or termination, non-teaching employees are paid 100% of unused vacation leave; and all non-teaching employees and teachers with at least ten years of service are paid 25% of unused sick leave. All payments are made at the current rate of pay of the employee at the time of retirement or termination and include related payroll taxes. A liability for these amounts is reported in the governmental funds only if they have matured, for example as a result of employee resignations and retirements. Vested or accumulated leave for proprietary and fiduciary funds is recorded as an expense and liability of those funds in the financial statements..

7) Long-term obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

8) Statement of cash flows

In the statement of cash flows for proprietary funds, cash and cash equivalents include all assets in the cash and investment pool. This pool is similar to a demand deposit account for enterprise and internal service funds so that deposits and cash withdrawals may be made at any time without prior notice or penalty. This treatment is in conformity with GASB Statement No. 9, which states that deposits in cash management pools that have the general characteristics of demand deposit accounts are appropriately classified as cash. Additionally, the investment with STIP is deemed to be a cash equivalent since it is sufficiently liquid as to permit withdrawal of cash at any time without prior notice or penalty.

9) Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. The element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources for pension-related amounts: payments since the measure date, changes in assumptions, and the difference between projected and actual earnings. Deferred outflows of resources are also reported for payments made since the measure date and the changes in assumptions related to other post-employment benefits.

In addition to liabilities, the Statement of Net Position and Balance Sheet – Governmental Funds reports a separate section of deferred inflows of resources. This element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The District reports deferred inflows of resources for pension-related and other post-employment benefits amounts: for its share of TRS and MPERS differences between expected and actual earnings, its share of the difference between expected and actual experience, and the changes in assumptions and inputs. Tax revenues that are not expected to be collected in time to pay current liabilities are deferred inflows of resources as well. Deferred lease revenue is also reported in the Statement of Net Position and Balance Sheet – Governmental Funds. The amount is deferred and recognized as an inflow of resources over the life of the lease.

Helena School District No. 1

Notes to the Basic Financial Statements

10) Pensions

Montana Public Employees Retirement System (MPERS) and Teachers Retirement System (TRS) – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the MPERS/TRS and additions to/deductions from MPERS/TRS's fiduciary net position have been determined on the same basis as they are reported by MPERS/TRS. 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.

11) Net position and fund balances

In the financial statements, assets and deferred outflows of resources in excess of liabilities and deferred inflows of resources are presented in one of two ways depending on the measurement focus of the statement.

On the *Statement of Net Position* for government-wide reporting and for the proprietary funds, net position is segregated into three categories: net position invested in capital assets; restricted net position; and unrestricted net position.

Net investment in capital assets represents total capital assets net of accumulated depreciation, debt directly related to capital assets, and unspent bond proceeds. Any deferred outflows/inflows of resources directly related to debt, if applicable, are included in this section as well. Significant unspent deferred inflows of resources are not included.

Restricted net position represents amounts whose use is not subject solely to the government's own discretion. Restrictions may be placed on net position by an external third party that provided the resources, by laws or regulations of other governments, by enabling legislation, by endowment agreements, or by the nature of the asset.

Unrestricted surplus (deficit) net position represents amounts not included in other categories.

On the *Balance Sheet – Governmental Funds*, assets and deferred outflows of resources in excess of liabilities and deferred inflows of resources are reported as fund balances and are segregated into separate classifications indicating the extent to which the District is bound to honor constraints on the specific purposes for which those funds can be spent. The District adopted a spending policy for nonspendable and spendable fund balances with the following order of spending: restricted, committed, assigned, and unassigned.

Fund balance is reported as Nonspendable when the resources cannot be spent because they are either in a nonspendable form or are legally or contractually required to remain intact. Resources in nonspendable form include inventories and prepaid items.

Fund balance is reported as Restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, the District's policy is to use restricted resources first, and then unrestricted resources, as they are needed.

Fund balance is reported as Committed when the Board of Trustees passes a resolution that places specific constraints on how the resources may be used. The Trustees can modify or rescind the resolution at any time through passage of an additional resolution.

Amounts in the Assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally exist temporarily. Action does not normally have to be taken for the removal of an assignment.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that is not otherwise reported as nonspendable, restricted, committed, or assigned. Additionally, this classification is used to report any negative fund balance amounts in other governmental funds.

Helena School District No. 1

Notes to the Basic Financial Statements

12) Use of estimates

The preparation of financial statements, in conformity with accounting principles generally accepted (GAAP) in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

13) Adoption of GASB pronouncements:

During the fiscal year ending June 30, 2024, the District implemented the following GASB Pronouncements:

GASB Statement No. 101, Compensated absences, effective June 30, 2025. The District implemented GASB Statement No. 101. The statement better meets the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The District adopted this guidance retroactively for the year beginning July 1, 2024. The adoption of GASB Statement No. 101 did not have an impact on the District's net position and did not result in any change to the District's existing methods of accounting for compensated absences.

GASB Statement No. 102 – Certain Risk Disclosures, effective June 30, 2025. The District implemented GASB Statement No. 102. The statement provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The District retroactively adopted this guidance for the year beginning July 1, 2024.

The following GASB pronouncements have been issued, but are effective in the future:

GASB Statement No. 103, Financial Reporting Model Improvements, effective June 30, 2026. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. Effective for the fiscal year ending June 30, 2026.

GASB Statement No. 104, Disclosure of Certain Capital Assets, effective June 30, 2026. The objective of this Statement is to ensure transparency and provide users of government financial statements with essential information about capital assets, especially those with unique accounting treatments. Effective for the fiscal year ending June 30, 2026.

Helena School District will implement the new GASB pronouncements no later than the fiscal year required by the effective date. The District is currently evaluating whether the above-listed new GASB pronouncements will have a significant financial impact to the District or in issuing its financial statements.

II. Stewardship, compliance, and accountability

A. General budgetary information

An annual appropriated operating budget is adopted each fiscal year for each school district (elementary and high school) fund in accordance with State law. These levied funds are the General Fund, Special Revenue Funds – Transportation, Tuition, Retirement, Adult Education, Technology, and Flexibility – the Debt Service, and Building Reserve Fund. All annual appropriations lapse at fiscal year-end. The legal level of budgetary control is at the fund level only. Budgetary transfers between funds are not permitted.

For the year ended June 30, 2025, actual expenditures in the budgeted funds were within the annual appropriations set for each fund.

B. Budget process

The District operates within the budget requirements for school districts as specified by State law. The District budgets are adopted and maintained under the following budgetary statutes and procedures:

Helena School District No. 1

Notes to the Basic Financial Statements

- By March 1, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property in each school district to each district and to the County Superintendent of Schools to be used for preliminary estimates.
- By the second Monday in July, the Department of Revenue must certify the taxable value of the District including the value of new construction. Any anticipated budget increase resulting from this new construction requires public notice and formal resolution of intent to utilize this increase.
- Any increase in local property taxes, except through value from new construction, up to the cap in the general fund, must be submitted for electorate approval in May of each year. Any increase over the new construction value in the transportation, bus depreciation, and adult education funds must be submitted to the electorate for approval.
- By August 15th, the Board of Trustees must meet to legally adopt the final budgets. Tax levies to raise the appropriate revenues are fixed at that time.
- After adoption of the final budgets, the Board authorizes management to transfer budget between line items as limited to the total fund appropriation, in accordance with state law. However, an emergency, as defined by state law and adopted by resolution by the Board of Trustees, authorizes revisions that alter the total expenditures of any fund.
- Reported budget amounts represent the originally adopted budget as amended by resolution of the Board of Trustees.

Appropriations in all funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is used to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (for which performance under the executory contract is expected in the ensuing year) are re-appropriated and become part of the subsequent year's budget.

C. Budgetary/GAAP basis difference

Legally required budgets are adopted on the modified accrual basis of accounting that is consistent with the budget laws of the State of Montana, which is a basis of accounting not in accordance with generally accepted accounting principles (GAAP). Under the budget basis of the District, certain revenues and the related assets are recognized when received rather than when susceptible to accrual or earned, and certain expenditures are recognized when disbursed as determined by the date of the expenditure rather than when the obligation was incurred. Annual appropriated budgets are legally adopted for all school district budgeted funds. GAAP requires that budget to actual comparisons be presented for the general fund and all major special revenue funds for which annual budgets have been adopted.

Note A of the Budgetary Comparison Schedule, Budget-to-GAAP Reconciliation reconciles the amount reported in the basic governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (which is presented on a non-GAAP budgetary basis) to the amounts reported in the basic governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance (which is presented on a GAAP basis) for the general and major special revenue funds.

D. Deficit fund balance

The District has funds with a deficit as of June 30, 2025, as follows:

- School Aged Child Care Fund - \$(1,053,010) net position deficit. The deficit balance is primarily a result of a carryover deficit and increase in net pension liability of \$52,017, a The change in net position was \$(54,812).

Helena School District No. 1

Notes to the Basic Financial Statements

III. Detailed notes on all funds

A. Deposits and investments

As noted previously, the Lewis and Clark County Treasurer holds District cash, except a portion of the Middle and High School Extracurricular funds. The District directs the investment of money pursuant to the provisions of State law. Cash and cash equivalents consist of:

Governmental activities (County)	\$49,445,909
Business-type activities (County)	53,290
Governmental activities (checking, savings)	73,261
Business-type activities (checking)	<u>4,000</u>
Total cash and cash equivalents	<u>\$49,576,460</u>

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Middle and High School Extracurricular Fund cash is a combination of checking and savings accounts and is fully insured by the FDIC. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit risk quality per GASB Statement No. 40.

The District is a member of the Lewis and Clark County Investment Pool, an external investment pool. All cash, except the cash in checking/savings for student extracurricular funds listed above, is invested through this pool. The pool is not registered with the Securities and Exchange Commission (SEC). This investment pool is comprised of all money belonging to the county, school districts and special districts for which there is not an immediate demand. It is managed by the County Treasurer, County Commission and an Investment Committee that is comprised of county officials, school district officials, private sector individuals, and representatives from other entities that participate in the pool. The fair value of the school district's position in the pool is the same as the value of the pool shares. The County reported that as of June 30, 2025, the book value and fair value of the investments were almost the same; therefore, the County had no unrealized gain or loss to record.

The State of Montana permits the following investments by the County:

- Direct obligations of the United States Government
- Securities issued and guaranteed by agencies of the United States
- Mutual funds that invest only in government obligations
- Securities issued by agencies of the United States
- Securities guaranteed by the United States or by an agency of the United States but not issued by agencies of the United States
- Repurchase agreements
- State Short-term Investment Pool (STIP)

B. Inventories

Inventories are valued at cost or, if donated, at fair value when received, using the weighted average method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Donated food commodities are reported in the governmental funds as revenue when received. As of year-end, the Internal Service funds had inventories valued at \$173,365.

Helena School District No. 1

Notes to the Basic Financial Statements

C. Receivables

Receivables as of year-end for the individual major and non-major funds, internal service funds, and fiduciary funds in the aggregate, net of the applicable allowances for uncollectible accounts, are as follows:

	Elementary		Elementary	Non-major	Internal	Total
	General	Miscellaneous	Building Reserve	Funds	Service Funds	
Receivables:						
Taxes, gross	\$652,256	\$0	\$107,831	\$581,988	\$0	\$1,342,075
Accounts	75,327	10,923	0	152,235	112,314	350,799
Grants, Tuition	0	926,464	0	671,909	0	1,598,373
Total Receivables	\$727,583	\$937,387	\$107,831	\$1,406,132	\$112,314	\$3,291,247

Receivables of the School-Aged Child Care Fund, \$4,905 are gross receivables. Any uncollected accounts over 90 days are removed and turned over to collection.

D. Deferred inflows of resources and unearned revenue

Governmental funds report *deferred inflows of resources* for amounts for which asset recognition criteria has been met, but for which revenue recognition criteria has not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Governmental funds also report *deferred inflows of resources* in connection with revenues collected after all eligibility requirements are met, but prior to meeting time requirements. Unearned revenues are a liability created when prepayment is made in advance of receiving goods or services. At the end of the current fiscal year, the various components of *deferred inflows of resources and unearned revenues* reported in the governmental funds were as follows:

	Deferred inflows	Unearned revenues – grants
General fund	\$222,228	\$0
Elementary miscellaneous fund	0	2,616
High School flexibility fund	0	196,784
Elementary building reserve fund	33,693	0
Non-major governmental funds grants	0	69,229
Non-major governmental funds taxes	190,156	0
Total	\$446,077	\$268,629

Proprietary funds report unearned revenues in the School-Aged Child Care fund of \$25,047 which represents tuition receipts received, but not yet earned.

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Notes to the Basic Financial Statements

E. Capital assets

Capital asset activity for the governmental funds for the year ended June 30, 2025, is listed below.

<u>Asset Category</u>	Beginning Balance	Additions	Disposals	Other/Transfer	Ending Balance
Capital assets, not depreciated:					
Land	\$4,062,830	\$0	\$0	\$0	\$4,062,830
Construction in progress	295,030	663,076	0	(125,892)	832,214
Total capital assets, not depreciated	4,357,860	663,076	0	(125,892)	4,895,044
Capital assets, depreciated:					
Land improvements	7,872,029	34,879	0	0	7,906,908
Buildings/improvements	131,664,682	1,076,975	0	125,892	132,867,549
Machinery and equipment	12,630,896	377,024	(33,531)	0	12,974,389
Total capital assets, depreciated	152,167,607	1,488,878	(33,531)	125,892	153,748,846
Accumulated Depreciation					
Land improvements	(4,287,938)	(262,874)	0	0	(4,550,812)
Buildings/improvements	(23,439,572)	(1,757,282)	0	0	(25,196,854)
Machinery and equipment	(11,408,557)	(438,189)	33,531	0	(11,813,215)
Total accumulated depreciation	(39,136,067)	(2,458,345)	33,531	0	(41,560,881)
Total depreciable capital assets, net	113,031,540	(969,467)	0	125,892	112,187,965
Total capital assets, net	\$117,389,400	(\$306,391)	\$0	\$0	\$117,083,009

Depreciation expense and abandoned CIP projects were charged to functions/programs of the primary government as follows:

Governmental activities:	
Instruction	\$1,868,630
Administration	21,065
Operations and maintenance	426,533
Student transportation	26,430
Food services	28,411
Student activities	87,276
Total depreciation expense – governmental activities	\$2,458,345

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Notes to the Basic Financial Statements

Capital asset activity for the SACC program (Business-type activities) for the year ended June 30, 2025 is listed below.

<u>Asset Category</u>	Beginning Balance	Additions	Disposals	Other/Transfer	Ending Balance
Buildings/improvements	\$13,843	\$0	\$0	\$0	\$13,843
Machinery and equipment	5,925	0	0	0	5,925
Total capital assets, depreciated	19,768	0	0	0	19,768
Accumulated Depreciation					
Buildings/improvements	(6,922)	(2,769)	0	0	(9,691)
Machinery and equipment	(4,740)	(1,185)	0	0	(5,925)
Total accumulated depreciation	(11,662)	(3,954)	0	0	(15,616)
Total capital assets, net	\$8,106	(\$3,954)	\$0	\$0	\$4,152

F. Intangible Right-to-Use Assets

<u>Intangible right-to-use capital assets:</u>	Beginning Balance	Additions	Deletions	Expirations	Ending Balance
Leased equipment	\$188,447	\$0	\$0	(\$188,447)	\$0
Subscription agreements	391,341	0	0	(40,551)	350,790
Total intangible right-to-use capital assets	579,788	0	0	(228,998)	350,790
<u>Less – Accumulated depreciation:</u>					
Leased equipment	(113,067)	(75,380)	0	188,447	0
Subscription agreements	(168,301)	(84,151)	0	40,551	(211,901)
Total accumulated depreciation	(281,368)	(159,531)	0	228,998	(211,901)
Total intangible right-to-use- capital assets, net	\$298,420	(\$159,531)	\$0	\$0	\$138,889

G. Commitments

At year-end, the District had outstanding commitments, in the form of purchase orders of \$2,601,042. The bulk of the commitments were for construction and maintenance projects. The projects included a new HVAC system at Smith Elementary, built-in lunch tables at Smith and Rossiter Elementary Schools, auditorium lightening upgrade at Capital High School, parking lot paving projects at various schools, flooring projects at various schools, and new math curriculum adoption at the elementary level. These projects were funded by the elementary general fund, the elementary building reserve fund and the high school building reserve fund. Including the aforementioned, the District had various encumbrances: \$185,812 in the general funds, \$855 in the elementary miscellaneous fund, \$2,065,216 in the elementary building reserve, and \$349,159 in the non-major governmental funds. Note K. delineates the fund balance status.

H. Inter-fund receivables, payables, and transfers

Inter-fund transfers

The elementary interlocal agreement fund received \$2,429,555 other District funds, \$606,555 from the general fund, \$1,165,000 from the elementary transportation fund, \$588,000 from the high school transportation fund, and \$70,000 from the elementary adult education fund. These transfers are permitted by the interlocal agreement, as well as under state law. Transfers are permitted for the purpose of purchasing K-12 curriculum and resource adoption, professional development, emergency staffing to achieve accreditation standards, and operational costs for the participating districts, which include but are not limited to one-time staffing costs of participating districts.

Helena School District No. 1

Notes to the Basic Financial Statements

I. Payables

Payables and other accrued liabilities at June 30th, are as follows:

	General	Elementary Miscellaneous Programs	Elementary Building Reserve	Non- Major Funds	Internal Service	Total
Accounts to vendors and contractors	\$472,567	\$54,937	\$419,963	\$269,582	\$166,410	\$1,383,459

J. Lease and Subscription Obligations

Lease Receivables

The District leases the Ray Bjork Learning Center to St. Peter's Health for the purpose of a childcare facility. The lease, dated January 9, 2024, has an initial term of 20 years. Lease payments are \$22,741 due on the first day of each month and increase by the lesser of 1.0% or the Consumer Price Index for the first ten years of the Term; beginning on the first calendar month following the tenth anniversary of the Commencement Date, rent shall increase annually by the lesser of 3.5% or the Consumer Price Index. The implicit rate on the lease was 5.75%. Minimum future rentals on the lease as of June 30, 2025, are as follows:

Future Lease Receivables			
Years	Principal	Interest	Total
2026	79,342	197,663	\$277,005
2027	86,871	192,904	279,775
2028	94,872	187,701	282,573
2029	103,374	182,024	285,398
2030	112,408	175,845	288,253
2031-2035	551,733	630,392	1,182,125
2036-2040	1,031,616	568,710	1,600,326
2041-2045	1,413,043	197,699	1,610,742
Totals	\$3,473,259	\$2,332,938	\$5,806,197

Lease payable

	Beginning Balance	Additions	Reduction	Ending Balance	Due within one year
HP Copier Lease	\$75,980	\$0	(\$75,980)	\$0	\$0
Leases payable	\$75,980	\$0	(\$75,980)	\$0	\$0

The terms and expiration dates of the District's leases payable at June 30, 2025, follow:

HP Copier Lease - Lease agreement dated June 29, 2020, in the original principal amount of \$188,447 (from implementation date), due in annual installments of \$38,933, including imputed interest at 1.65%, through July 2025.

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Notes to the Basic Financial Statements

Subscription Liability

	Beginning Balance	Additions	Reduction	Ending Balance	Due within one year
Subscription agreements	\$87,257	\$0	(\$46,887)	\$40,370	\$40,370
Subscription agreements	\$87,257	\$0	(\$46,887)	\$40,370	\$40,370

The District has entered into noncancelable SBITAs with several third parties. The agreements mature in varying amounts through the year ended June 30, 2026. The related subscription liabilities have been discounted at 1.55%.

Future Minimum Subscription Payments

Years	Principal	Interest	Total
2026	\$40,370	\$2,166	\$42,536
Totals	\$40,370	\$2,166	\$42,536

K. Long-term debt

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition, construction, or major remodeling of school facilities. General obligation bonds have been issued for governmental activities. On September 21, 2017, the elementary district issued general obligation bonds with a principal amount of \$55,000,000. A premium of \$6,382,616 was associated with the issuance of these bonds. The remaining \$8,000,000 of the \$63,000,000 authorized was issued on June 5, 2019. A premium of \$793,224 is associated with the issuance of these bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds generally are issued as 20-year serial bonds with varying amounts of principal due each year.

General obligation bonds currently outstanding are as follows:

Elementary	Original Issue Amount	Original Issue Maturity Date	Interest Rate	Outstanding Balance
Series 2017	\$55,000,000	7/1/2037	3.00-5.00%	\$38,625,000
Series 2019	\$8,000,000	7/1/2039	3.00-4.00%	6,145,000
				44,770,000
		Unamortized bond premium		4,908,987
				\$49,678,987

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Notes to the Basic Financial Statements

Changes in long-term liabilities

Long-term liability activity for fiscal year 2025 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities:					
GO Bonds	\$47,530,000	\$0	\$2,760,000	\$44,770,000	\$2,890,000
GO Bond Premiums	5,470,649	0	561,662	4,908,987	617,180
Lease Liability	75,980	0	75,980	0	0
Subscription Liability	87,257	0	46,887	40,370	40,370
Pension Liability	74,268,559	0	5,289,694	68,978,865	0
Compensated Absences	5,583,509	0	74,180	5,509,329	1,288,742
Other Post-Employment Benefits – Health	4,517,373	0	2,087,161	2,430,212	0
Governmental activity long-term liabilities	<u>\$137,533,327</u>	<u>\$0</u>	<u>\$10,895,564</u>	<u>\$126,637,763</u>	<u>\$4,836,292</u>
Business-type activities:					
Compensated Absences	\$135,414	\$0	\$30,892	\$104,522	\$57,302
Pension Liability	984,223	52,020	0	1,036,243	0
Business-type activity long term liabilities	<u>\$1,119,637</u>	<u>\$52,020</u>	<u>\$30,892</u>	<u>\$1,140,764</u>	<u>\$57,302</u>

The Internal service funds (warehouse, print-shop, liability insurance, and health insurance) service the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the totals for governmental activities. At June 30, 2025, \$12,492 of compensated absences and \$168,510 of pension liability recorded in the internal service funds were included in the amounts above. Payment for compensated absences of employees is from the originating fund for the employee pay.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Ending June 30,	Principal	Interest	Total
2026	2,890,000	1,789,700	4,679,700
2027	3,025,000	1,652,650	4,677,650
2028	3,170,000	1,508,600	4,678,600
2029	3,320,000	1,357,500	4,677,500
2030	3,425,000	1,257,900	4,682,900
2031-2035	19,105,000	4,295,800	23,400,800
2036-2039	9,835,000	673,200	10,508,200
	<u>\$44,770,000</u>	<u>\$12,535,350</u>	<u>\$57,305,350</u>

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Notes to the Basic Financial Statements

Annual maturities of bond premium are as follows:

Year	
Ending June 30,	
2026	617,180
2027	693,206
2028	684,303
2029	134,151
2030	123,417
2031-2035	1,842,529
2036-2039	814,201
	\$4,908,987
	\$4,908,987

L. Net position/fund balances

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

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

The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the District is bound to honor them. The District first determines and reports non-spendable balances, then restricted, then committed, and so forth.

Fund balance classifications are summarized as follows:

- Non-spendable. This category includes fund balance amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. Fund balance amounts related to inventories and prepaids are classified as non-spendable.
- Restricted. This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance amounts include the following:
 - a) unspent tax revenues levied for specific purposes as required by law, such as transportation, out-of-district instruction payments, retirement payments, adult education, technology, capital projects and debt service;
 - b) balances remaining for nutrition services, driver education, curriculum adoption, low income instruction, drug and mental health services, professional development, building and maintenance projects, and student extracurricular activities.
- Committed. The committed fund balance classification includes amounts that can be used only for the specific purpose determined by formal action of the District's Board of Trustees. The Board is the highest level of decision-making authority for the District that can by resolution commit fund balance.
- Assigned. Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally only exist temporarily. Assigned amounts include the following:

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Notes to the Basic Financial Statements

a) Used for curriculum adoption, field trip transportation, building and maintenance, technology and other general purposes.

- Unassigned. Residual balances in the general fund and flexibility funds are classified as unassigned.

	General Fund	Elementary Miscellaneous	Elementary Building	Other Governmental Funds	Total
Nonspendable for:					
Prepaid expenses	\$0	\$0	\$0	\$10,420	\$10,420
Restricted for:					
Instruction	0	201,571	0	1,199,767	1,401,338
Transportation	0	0	0	1,765,667	1,765,667
Tuition	0	0	0	71,517	71,517
Retirement benefits	0	0	0	3,597,137	3,597,137
Support services	0	202,966	0	2,112	205,078
Adult education	0	0	0	206,383	206,383
Drivers education	0	0	0	63,027	63,027
Operations & maintenance	0	180,322	472,824	23,342	676,488
Vocational education	0	0	0	198,823	198,823
School food program	0	0	0	1,607,061	1,607,061
Debt service	0	0	0	1,114,418	1,114,418
Capital projects	0	60,048	4,561,203	3,560,374	8,181,625
Scholarships	0	0	0	344,376	344,376
Other	0	0	0	2,646	2,646
Extracurricular	0	0	0	1,130,930	1,130,930
Assigned for:					
Instruction	148,857	108,083	0	63,319	320,259
Special education	159	0	0	0	159
Support services	0	1,771,322	0	0	1,771,322
General administration	0	395,419	0	0	395,419
Business services	0	2,088,473	0	46,820	2,135,293
Operations & maintenance	2,515	21,980	0	80,574	105,069
Extracurricular	268	70,280	0	199,925	270,473
Other	0	126,910	0	608,554	735,464
Capital outlay	34,013	0	0	0	34,013
Unassigned	15,008,957	0	0	0	15,008,957
Total	\$15,194,769	\$5,227,374	\$5,034,027	\$15,897,192	\$41,353,362

Helena School District No. 1

Notes to the Basic Financial Statements

M. Accounting Changes and Error Corrections:

During the fiscal year 2025, the District had changes to or within the financial reporting entity and error corrections that resulted in adjustment to beginning fund balance as follows.

	Fund Balance/Net Position Beginning of Year	Change in Reporting Entity	Correction of Error	Fund Balance/Net Position Beginning - Restated
Governmental Activities	\$28,620,356	\$0	(\$3,820)	\$28,616,536
Business-Type Activities	(998,198)	0	0	(998,198)
Total Net Position	<u>27,622,158</u>	<u>0</u>	<u>(3,820)</u>	<u>27,618,338</u>
Governmental Funds				
General Fund	5,947,630	0	(3,375)	5,944,255
Elementary Flex	6,969	0	0	6,969
Interlocal	7,410,036	0	614	7,410,650
Total Combined General Fund	<u>13,364,635</u>	<u>0</u>	<u>(2,761)</u>	<u>13,361,874</u>
Elementary Miscellaneous	4,334,077	0	(73,305)	4,260,772
Elementary Building Reserve	0	3,718,060	72,246	3,790,306
Remaining Aggregate	18,356,083	(3,718,060)	0	14,638,023
Total Governmental Funds	<u>36,054,795</u>	<u>0</u>	<u>(3,820)</u>	<u>36,050,975</u>
Fund Balance/Net Position				
School Aged Child Care	(998,198)	0	0	(998,198)
Internal Service Funds	4,839,339	0	0	4,839,339
Fund Balance/Net Position	<u>\$3,841,141</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,841,141</u>

Prior period adjustments were recorded, as follows:

- June 30, 2025, fund balance for the general fund decreased by \$3,375 due to recording landscaping expenditures incurred in the proper fund.
- June 30, 2025, elementary miscellaneous fund decreased by \$73,305 due to recording of expenditures to the proper period (\$76,066) and reporting expenditures to the proper fund (\$2,761).
- June 30, 2025, elementary interlocal fund increased by \$614 due to reporting an expenditure to the proper fund.
- June 30, 2025, elementary building reserve fund increased by \$72,246 due to overstated encumbrances in the prior year (\$23,282), understated revenue (rebate received of \$51,984) and understated expenditures (\$3,020).

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Notes to the Basic Financial Statements

IV. Other information

A. Risk management

The District is exposed to various risks of loss related to torts; damage to, theft of, or destruction of assets; professional liability, i.e. errors and omissions; environmental damage and natural disasters; workers' compensation, i.e. employee injuries; and medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts and professional liability coverage. Coverage limits and the deductibles on the commercial policies have been relatively constant for the last several years, except for property and content coverage where the guaranteed values have been increased to approximate replacement cost of the assets. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past. Given the lack of coverage available, the District has no coverage for potential losses from environmental damages and a pool limit for earthquake and flood damages.

The District has joined with other Montana employers to form a self-insurance pool offering workers' compensation coverage. This pool, named Montana State Fund, provides claim administrative services. Premiums paid to Montana State Fund amounted to \$392,476 for the fiscal year.

Employee medical insurance is provided through an internally administered, self-funded plan. The District provides medical and dental coverage for employees through an Internal Service Fund that is administered by Allegiance Administrators for the period that ends on October 1, 2025. Rates for the employees and employer are determined in consultation with the administrator for the ensuing year. An excess coverage insurance policy is purchased by the District.

Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of these items. The balances of claims liabilities during the past two fiscal years are as follows:

	Fiscal Year 2025	Fiscal Year 2024
Unpaid claims, July 1	\$4,304,936	\$3,788,028
Incurred claims (including IBNR)	10,418,111	13,419,219
Claim payments	(11,935,395)	(12,902,311)
Unpaid claims, June 30	\$2,787,652	\$4,304,936

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the State of Montana and the federal government. Any disallowed claim, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial. The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government. The costs associated with this are covered through District insurance.

C. Other post-employment benefits

Health Insurance

The District provides 18 to 36 months optional post-employment health care benefits in accordance with Public Law 99-272, known as the Consolidated Omnibus Budget Reconciliation Act (COBRA), to the following employees and dependents who elect to continue and pay administratively established premiums: (1) employees who were covered by the District health insurance plan at the time they discontinued employment, and (2) spouses or other dependents who lose dependent eligibility. At June 30, 2025 there were two ex-employees who elected to have COBRA coverage through the District.

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Notes to the Basic Financial Statements

In accordance with section 2-18-704, MCA, the District also provides optional post-employment health care benefits to the following employees and dependents who elect to continue coverage and pay administratively established premiums: (1) employees and dependents who retire under applicable retirement policy and (2) surviving dependents of deceased employees. Retirement eligibility differs by retirement system. Administratively established premiums vary from \$395 to \$2,416.85 depending on the coverage selected. The District acts as a secondary payor for retired Medicare-eligible claimants. As of the valuation date, 58 retirees and their dependents were covered for health care benefits. As of June 30, 2025, 39 retirees opted to continue insurance through the District. The District collects insurance premiums from participating retirees which are deposited into the District's health insurance fund.

Total OPEB Liability

	<u>June 30, 2025</u>
Total OPEB Liability	\$2,430,212
Covered payroll	N/A
Total OPEB Liability as a % of covered payroll	N/A

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 74 and 75.

Discount Rate

Discount Rate	3.93%
20 Year Tax-Exempt Municipal Bond Yield	3.93%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total OPEB liability as of June 30, 2014 were based on the results of an actuarial experience study for the period 2016-2021 for the State of Montana Teachers' Retirement System (MTRS).

Valuation date	June 30, 2024
Measurement date	June 30, 2024
Actuarial cost method	Entry Age Normal
Mortality	MTRS; see "Actuarial Assumptions" for details
Salary increases including inflation	MTRS; see "Actuarial Assumptions" for details

Changes in Total OPEB Liability

Changes in Total OPEB Liability	2024-2025
Beginning of Year Balances	\$4,517,373
Changes for the year:	
Service cost	283,964
Interest on total OPEB liability	168,374
Effect on economic/demographic gains and losses	(1,138,561)
Effect of assumptions changes or inputs	(1,020,814)
Benefit payments	(380,124)
End of Year Balances	\$2,430,212

Helena School District No. 1

Notes to the Basic Financial Statements

Sensitivity Analysis

The following presents the total OPEB liability of the Helena School District #1, calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	2024-2025		
	1% Decrease	Discount Rate	1% Increase
	2.93%	3.93%	4.93%
Total OPEB Liability	\$2,579,206	\$2,430,212	\$2,288,989

The following presents the total OPEB liability of the Helena School District #1, calculated using the current healthcare cost trend rates as well as what the Helena School District #1's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	2024-2025		
	1% Decrease	Current Trend Rate	1% Increase
	2.93%	3.93%	4.93%
Total OPEB Liability	\$2,217,972	\$2,430,212	\$2,676,729

OPEB Expense

	July 1, 2024 to June 30, 2025
OPEB Expense	
Service cost	\$283,964
Interest on total OPEB liability	168,374
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	(84,546)
Recognition of assumption changes or inputs	(380,219)
OPEB Expense	(\$12,427)

As of June 30, 2025, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	(\$1,065,947)	\$79,254
Changes of assumptions	(1,552,344)	1,092,674
Total	(\$2,618,291)	\$1,172,198

Helena School District No. 1

Notes to the Basic Financial Statements

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ending June 30:	
2026	(\$427,823)
2027	(262,058)
2028	(273,568)
2029	(170,968)
2030	(168,178)
2031	(168,236)
Thereafter*	\$24,738)

*Note that additional future deferred inflows and outflows of resources may impact these numbers.

Actuarial Assumptions

The following actuarial assumptions were used in the development of the Helena School District #1 retiree health cost projections. Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the State of Montana Teachers' Retirement System (MTRS) as provided in the July 1, 2025 Actuarial Valuation reports.

Interest Discount Rate:

Measurement Date	Rate
June 30, 2023	3.65%
June 30, 2024	3.93%
June 30, 2025	5.20%

Mortality:

<u>Pre-Retirement</u>		PubT-2010 General Employee Mortality Table projected to 2021. Projected generationally using MP-2021.
<u>Post-Retirement:</u>	For Males:	PubT-2010 Retiree Mortality Table projected to 2021 adjusted 102%. Projected generationally using MP-2021.
	For Females:	PubT-2010 Retiree Mortality Table projected to 2021 adjusted 102%. Projected generationally using MP-2021.
<u>Beneficiaries:</u>		PubT-2010 Contingent Survivor Mortality Table projected to 2021. Projected generationally using MP-2021.
<u>Post -Disablement:</u>		PubT-2010 Disabled Retiree Mortality Table projected to 2021.

Employee Turnover/Withdrawal: MTRS for all employees.

Disablement: MTRS disability rates for all employees.

Retirement: MTRS retirement rates for general members for all employees.

Helena School District No. 1

Notes to the Basic Financial Statements

Salary Adjustment Factors: MTRS General Members for all employees. Rates are shown below.

% Merit and Longevity Increase Next Year	
Service	General Members
1	5.50%
2	4.50
3	3.50
4	3.50
5	2.50
6	2.50
7	2.50
8	1.50
9	1.50
10	1.50
11	1.50
12	1.50
13	0.50
14	0.50
15	0.50
16	0.50
17	0.50
18	0.00
19	0.00
20	0.00
21	0.00
22+	0.00

In addition to the merit and longevity increase, each person is assumed to get an economic increase of 3.50% each year.

Percentage of Retirees Participating In Retiree Medical Coverage:

Future retirees: 20% of current employees are expected to participate in the Helena School District #1's retiree health insurance plan.

Current retirees: Actual retiree participation.

Percentage of Retirees Electing Family Coverage:

Future retirees: 30% of future retirees that take coverage are assumed to elect two-party coverage.

Current retirees: Actual family coverage election.

Age Difference of Active Employees and Spouses: Spouses same age as participants.

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Notes to the Basic Financial Statements

Annual Medical Trend Rate Assumptions: Based on recent experience, the experience of medical insurers, Milliman's future trend expectations, and judgment. The trend rates reflect the anticipated impact of the excise tax on high cost health plans beginning in 2022.

Annual Medical Trend Rate	
2024	6.50%
2025	6.10%
2026	5.40%
2027	5.00%
2028	4.80%
2029	4.70%
2030	4.60%
2031	4.40%
2032	4.30%
2033	4.20%
2034-2064	4.10%
2065-2067	4.00%
2068-2069	3.90%
2070-2072	3.80%
2073+	3.70%

Expected Monthly 2024-25 Medical Costs Per Retiree: Relative cost factors were developed from the Milliman Health Cost Guidelines. Based on the District's claims experience, current premiums, plan provisions, and related age cost factors assumptions, we developed age adjusted 'per member per month' (PMPM) costs for 2024-25. The post-65 premiums are sufficient to cover the post-65 medical costs; therefore, no implied rate subsidy is valued after age 64.

Age	Retiree		Spouse	
	Male	Female	Male	Female
50	\$5,954	\$12,044	\$10,943	\$13,439
55	12,385	14,056	13,782	15,448
60	15,754	16,332	17,152	17,724
64	19,464	18,348	20,865	19,739

Changes in Assumptions Since Prior Valuation:

- The discount rate was updated as of June 30, 2024, and June 30, 2025 in accordance with the parameters defined by GASB 75. A higher discount rate results in lower liabilities and vice versa.
- The participation rate assumption was updated based on recent experience.
- The expected trend rates were updated based on recent and expected future experience.

Summary of Plan Provisions

Eligibility Requirements and Benefits

Eligibility requirements and benefits are as follows:

Eligibility - A retiree is considered eligible for coverage under this plan only if the retiree was covered under the plan as a participant on their last day of active service prior to retirement and retires from MTRS.

Participant Data: The District relied on the following medical plan participant data as of October 1, 2023 and assumed there have been no significant changes in data between June 30, 2022 and October 1, 2023.

	Participant Count	Average Age	Average Service
Active Employees	766	44.8	9.9
Retirees	40	60.4	

Helena School District No. 1

Notes to the Basic Financial Statements

Other Employee Benefits

The District operates an Internal Revenue Code Section 125 plan for medical, day care, health insurance, and life insurance expenses. Employees can contribute pretax dollars up to \$2,400 per year for medical expenses and up to \$5,000 per year for day care expenses. The entire health and life insurance premiums are tax sheltered.

D. Employee benefit pension plans

Employees of the District participate in one of two state-wide cost sharing multiple-employer retirement benefits plans, Teachers Retirement System (TRS) and Public Employees Retirement System (PERS). Contributions to the plans are as required by state statute. Information about each plan is as follows:

Employer's proportion of TRS and PERS pension amounts combined

	District's proportionate share associated with TRS	District's proportionate share associated with PERS	Total Pension Amounts
District's share of net pension liability	\$60,955,442	\$9,059,666	\$70,015,108
State of Montana's share	32,333,437	2,619,665	34,953,102
Total pension liability	\$93,288,879	\$11,679,331	\$104,968,210
Deferred outflows of resources	\$8,060,545	\$1,143,930	\$9,204,475
Deferred inflows of resources	\$5,437,524	\$868,468	\$6,305,992
Pension expense	\$5,326,844	\$261,605	\$11,582,398

Teachers' Retirement System (TRS)

Teachers' Retirement System (TRS) is a mandatory-participation multiple-employer cost sharing defined benefit public pension plan that provides retirement services to individuals employed as teachers, administrators, and in other professional and skilled positions employed in public education in Montana.

The TRS Board is the governing body of the Teachers' Retirement System and staff administers the systems in conformity with the laws set forth in Title 19, chapter 20 of the Montana Code Annotated, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the TRS website at trs.mt.gov.

Summary of TRS Benefits – Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

- Tier Two uses a 5-year average final compensation (as opposed to 3-year AFC in Tier One)
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One)
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One)

Helena School District No. 1

Notes to the Basic Financial Statements

- Tier Two has a one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also now currently in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation - 1.85% x AFC x years of creditable service for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than 1.6667 x AFC x years of creditable service)

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1st. For Tier Two members the GABA each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

Overview of Contributions - The System receives a portion of the total required statutory contributions directly from the State for all employers. The employers are considered to be in a special funding situation as defined by GASB 68 and the State is treated as a non-employer contributing entity in TRS. The System receives 2.49% of reportable compensation from the State's general fund for School Districts and Other Employers. The System also receives 0.11% of reportable compensation from the State's general fund for all TRS employers including State Agency and University System employers. Finally, the State is also required to contribute \$25 million in perpetuity payable July 1st of each year. The table below shows the legislated contribution rates for TRS members, employers and the State.

School District and Other Employers

	Members	Employers	General Fund	Total employee and employer
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 to June 30, 2009	7.15%	7.47%	2.11%	16.73%
July 1, 2009 to June 30, 2013	7.15%	7.47%	2.49%	17.11%
July 1, 2013 to June 30, 2014	8.15%	8.47%	2.49%	19.11%
July 1, 2014 to June 30, 2015	8.15%	8.57%	2.49%	19.21%
July 1, 2015 to June 30, 2016	8.15%	8.67%	2.49%	19.31%
July 1, 2016 to June 30, 2017	8.15%	8.77%	2.49%	19.41%
July 1, 2017 to June 30, 2018	8.15%	8.87%	2.49%	19.51%
July 1, 2018 to June 30, 2019	8.15%	8.97%	2.49%	19.61%
July 1, 2019 to June 30, 2020	8.15%	9.07%	2.49%	19.71%
July 1, 2020 to June 30, 2021	8.15%	9.17%	2.49%	19.81%
July 1, 2021 to June 30, 2022	8.15%	9.27%	2.49%	19.91%
July 1, 2022 to June 30, 2023	8.15%	9.37%	2.49%	20.01%
July 1, 2023 to June 30, 2024	8.15%	9.47%	2.49%	20.11%

TRS' stand-alone financial statements, actuarial valuations and experience studies can be found online at <https://trs.mt.gov/Trsinfo/NewsAnnualReports>

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Notes to the Basic Financial Statements

Actuarial Assumptions - The total pension liability as of June 30, 2023, is based on the results of an actuarial valuation date of July 1, 2023. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2019 valuation were based on the results of the last actuarial experience study, dated May 3, 2022. Among those assumptions were the following:

- Total wage increases* 3.50%-9.00%
- Investment return 7.30%
- Price inflation 2.75%
- Postretirement benefit increases
 - Tier One members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
 - Tier Two members: The retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members, service retired members, and beneficiaries
 - PUBT-2010 General Employee mortality projected to 2021. Projected generationally using MP-2021
- Mortality among service retired members
 - PUBT-2010 Retiree mortality projected to 2021 adjusted 102% for males and 103% for females. Projected generationally using MP-2021
- Mortality among beneficiaries
 - PUBT-2010 Contingent Survivor table projected to 2021. Projected generationally using MP-2021.
- Mortality among disabled members
 - PUBT-2010 Disabled Retiree mortality table projected to 2021.

*Total wage increases include 3.50% general wage increase assumption.

Discount Rate - The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2132. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

Asset Class	Target Allocation	Long-Term Expected Portfolio Real Rate of Return
Domestic Equities	30.00%	5.90%
International Equities	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Cash	3.00%	-0.33%
	100.00%	

Helena School District No. 1

Notes to the Basic Financial Statements

The long-term expected rate of return on pension plan investments of 7.30% is reviewed as part of regular experience studies prepared for the System about every five years. The current long-term rate of return is based on analysis in the experience study report dated May 3, 2022, without consideration for the administrative expense analysis shown. 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 an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Sensitivity Analysis

	1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
The employer's proportion of net pension liability	\$87,608,020	\$60,955,442	\$38,686,956

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

Summary of Significant Accounting Policies - The Teachers' Retirement System prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of the Teachers' Retirement System (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same accrual basis as they are reported by TRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. TRS adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

TRS' stand-alone financial statements, actuarial valuations and experience studies can be found online at <https://trs.mt.gov/TrsInfo/NewsAnnualReports>.

Net Pension Liability - In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2025 and June 30, 2024 (reporting dates).

	Net Pension Liability <u>06/30/2025</u>	Net Pension Liability <u>06/30/2024</u>	Percent of collective NPL <u>as of 6/30/2025</u>	Percent of collective NPL <u>as of 6/30/2024</u>	Change in Percent of collective NPL
Helena proportionate share	\$ 60,955,442	\$ 65,615,029	3.2531%	3.3866%	0.1335%
State of Montana proportionate share associated with Helena	<u>32,333,473</u>	<u>35,477,861</u>	<u>1.7256%</u>	<u>1.8312%</u>	<u>(0.1056%)</u>
Total	<u>\$ 93,288,879</u>	<u>\$101,092,890</u>	<u>4.9787%</u>	<u>5.2178%</u>	<u>(0.2391%)</u>

Helena School District No. 1

Notes to the Basic Financial Statements

At June 30, 2025, the employer recorded a liability of \$60,955,442 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The employer's proportion of the net pension liability was based on the employer's contributions received by TRS during the measurement period July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2024, the employer's proportion was 3.2531 percent.

Changes in actuarial assumptions and other inputs: There have been no changes in actuarial assumptions since the previous measurement date.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Pension Expense

	Pension Expense as of 6/30/2025
Helena's proportionate share	\$3,587,638
State of Montana proportionate share associated with Helena School	1,739,206
Total	\$5,326,844

At June 30, 2025, the employer recognized a pension expense of \$5,326,844 for its proportionate share of the TRS' pension expense. The employer also recognized grant revenue of \$1,739,206 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

Deferred Inflows and Outflows - At June 30, 2025, the employer reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected economic experience	1,542,140	0
Changes in actuarial assumptions	0	2,026,130
Differences between projected and actual investment earnings	0	1,176,301
Changes in proportion and differences between actual and expected contributions	1,315,024	2,235,120
* Contributions paid to TRS subsequent to the measurement date - FY 2025 contributions	5,203,381	
Total	8,060,545	5,437,524

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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Notes to the Basic Financial Statements

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount of Deferred Outflows (Inflows) to be recognized as an increase or (decrease) to Pension Expense
2026	(\$3,426,996)
2027	2,660,649
2028	(1,033,724)
2029	(780,289)
2030	0
Thereafter	0

Public Employees' Retirement System (PERS)

Plan Description - The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, local governments, and certain employees of the Montana University System, and school districts. Benefits are established by state law and can only be amended by the Legislature.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the *defined benefit* and *defined contribution* retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

Summary of Benefits

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation (HAC). Member rights are vested after five years of service.

Service retirement:

Hired prior to July 1, 2011: Age 60, 5 years of membership service;
Age 65, regardless of membership service; or
Any age, 30 years of membership service.

Hired on or after July 1, 2011: Age 65, 5 years of membership service;
Age 70, regardless of membership service.

Early retirement

Hired prior to July 1, 2011: Age 50, 5 years of membership service; or any age, 25 years of membership service.
Hired on or after July 1, 2011: Age 55, 5 years of membership service.

Second retirement (requires returning to PERS-covered employer or PERS service):

- 1) Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retired on or after January 1, 2016 and accumulate less than 5 years additional service credit:
 - a. A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018);
 - b. No service credit for second employment;
 - c. Start the same benefit amount the month following termination; and
 - d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- 2) Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
 - a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - b. GABA starts on the recalculated benefits in the January after receiving the new benefit for 12 months.

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Notes to the Basic Financial Statements

- 3) Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
 - a. The same retirement as prior to the return to service;
 - b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's highest average compensation (HAC)

- Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011 - highest average compensation during any consecutive 60 months;

Compensation Cap

- Hired on or after July 1, 2013 - 110% annual cap on compensation considered as a part of a member's highest average compensation.

Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed annual benefit adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - a. 1.5% for each year PERS is funded at or above 90%;
 - b. 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
 - c. 0% whenever the amortization period for PERS is 40 years or more.

Overview of Contributions

The state Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are specified by Montana Statute and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.

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Notes to the Basic Financial Statements

Special Funding: The state of Montana, as the non-employer contributing entity, paid to the Plan additional contributions that qualify as special funding. Those employers who received special funding are all participating employers. Member and employer contribution rates are shown in the table below:

Fiscal Year	Member		State & Universities	Local Government		School Districts	
	Hired <07/01/11	Hired >07/01/11	Employer	Employer	State	Employer	State
2025	7.900%	7.900%	9.170%	9.070%	0.100%	8.800%	0.370%
2024	7.900%	7.900%	9.170%	9.070%	0.100%	8.800%	0.370%
2023	7.900%	7.900%	9.070%	8.970%	0.100%	8.700%	0.370%
2022	7.900%	7.900%	8.970%	8.870%	0.100%	8.600%	0.370%
2021	7.900%	7.900%	8.870%	8.770%	0.100%	8.500%	0.370%
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

2. Employer contributions to the system:

a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.

b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

c. The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

3. Non-Employer contributions:

a. Special funding

i. The State contributed 0.1% of members' compensation on behalf of local government entities.

ii. The State contributed 0.37% of members' compensation on behalf of school district entities.

iii. The State contributed a Statutory Appropriation from the General Fund of \$34,979,900.

Stand-Alone Statements

The financial statements of the Montana Public Employees Retirement Board (PERB) *Comprehensive Annual Financial Report* (CAFR) and the GASB 68 report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154, or both are available on the MPERA website at <http://mpera.mt.gov/index.shtml>.

Helena School District No. 1

Notes to the Basic Financial Statements

Actuarial Assumptions - The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions.

- General wage growth* 3.50% *includes inflation at 2.75%
- Merit increases 0% to 4.80%
- Investment return, net 7.30%
- Postretirement benefit increases:
Guaranteed annual benefit adjustment (GABA) each January
 - After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.
 - 3% for members hired prior to July 1, 2007
 - 1.5% for members hired between July 1, 2007 and June 30, 2013
 - Members hired on or after July 1, 2013:
 - a. 1.5% for each year PERS is funded at or above 90%;
 - b. 1.5% reduced by 0.1% for each 2% PERS is funded below 90%; and
 - c. 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among active participants, PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
- Mortality assumptions among disabled retirees, PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
- Mortality assumptions among contingent survivors PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021..
- Mortality assumptions among healthy retirees, PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

Discount Rate - The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2127. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Target Allocations - The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019, are summarized in the table below:

Helena School District No. 1

Notes to the Basic Financial Statements

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	3.0%	(0.33%)
Domestic Equity	30.0%	5.90%
International Equity	17.0%	7.14%
Private Investments	15.0%	9.13%
Real Assets	5.0%	4.03%
Real Estate	9.0%	5.41%
Core Fixed Income	15.0%	1.14%
Non-Core Fixed Income	6.0%	3.02%
Total	100.0%	

Sensitivity Analysis

The sensitivity of the proportionate share of NPL to changes in the discount rate is shown in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.30%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

	<u>1.0% Decrease (6.30%)</u>	<u>Current Discount Rate</u>	<u>1.0% increase (8.30%)</u>
Helena School District Net Pension Liability	\$13,207,025	\$9,059,666	\$5,581,897

Summary of Significant Accounting Policies – MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, the fiduciary net position and additions to/deductions from fiduciary net position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all accounting principles generally accepted by the United States of America. MPERA applies all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Net Pension Liability – GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2024, is on an actuarial valuation performed by the Plan's actuary as of June 30, 2024.

The TPL minus the fiduciary net position equals the net pension liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2024, and 2023, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The employer recorded a liability of \$9,059,663 and the employer's proportionate share was 0.370423 percent.

Helena School District No. 1

Notes to the Basic Financial Statements

	Net Pension Liability <u>06/30/2024</u>	Net Pension Liability <u>06/30/2023</u>	Percent of collective NPL as of 6/30/2024	Percent of collective NPL as of 6/30/2023	Change in percent of collective NPL
District proportionate share	\$9,059,666	\$9,637,753	0.370423%	0.394933%	(0.024510)%
State of Montana proportionate Share associated with Helena	<u>2,619,665</u>	<u>2,939,721</u>	<u>0.107110%</u>	<u>0.120463%</u>	<u>(0.013353)%</u>
Total	<u>\$11,679,331</u>	<u>\$12,577,474</u>	<u>0.477533%</u>	<u>0.515396%</u>	<u>(0.037863)%</u>

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the TPL.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

Pension Expense

At June 30, 2024, the employer recognized \$121,214 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$140,391 for the state of Montana proportionate share of the pension expense associated with the employer

As of measurement date	<u>Pension Expense as of 6/30/2024</u>
District's proportionate share	\$121,214
State of Montana proportionate share	<u>140,391</u>
Total	<u><u>\$261,605</u></u>

Deferred Inflows and Outflows - At June 30, 2024, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Actual vs. expected experience	\$457,826	\$ 0
Projected investment earnings vs. actual	0	201,462
Changes in assumptions	0	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	667,007
Employer contribution subsequent to the measurement date	<u>686,104</u>	-
Total	<u><u>\$1,143,930</u></u>	<u><u>\$868,469</u></u>

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

Helena School District No. 1

Notes to the Basic Financial Statements

Other amounts reported as deferred outflows and inflows of resources related to pensions are recognized in the employer's pension expense as follows:

For the measurement year ended June 30	Recognition of deferred outflows and deferred inflows in future years as an increase or (decrease) to pension expense
2025	\$(580,439)
2026	398,189
2027	(141,629)
2028	(86,763)
Thereafter	0

The District contributed to the state of Montana Public Employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the *defined benefit* and *defined contribution* retirement plans.

Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The state Legislature has the authority to establish and amend contribution rates.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2024, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the *defined contribution* plan. Plan level non-vested forfeitures for the 348 employers that have participants in the PERS-DCRP totaled \$1,345,278.

E. Tax Abatements

The District's property tax revenue is subject to tax abatement agreements entered into by Lewis and Clark County. Under the Montana Code Annotated, Title 15, Chapter 24, Part 14, the localities may grant property tax abatements to new or expanding industries. In the first 5 years, qualifying expansions must be taxed at 50% of their taxable value. Each year thereafter, the percentage must be increased by equal percentages until the full taxable value is attained in the 10th year. In subsequent years, the property must be taxed at 100% of its taxable value. Property taxes abated by this section are subject to recapture if the ownership does not add at least \$50,000 worth of qualifying improvements or modernized processes within the first two years in which these benefits are provided. For the fiscal year ended June 30, 2025, the District portion of the property taxes abated by Lewis and Clark County totaled \$5,736 as follows:

Company	
Prickley Pear Development, LLC	\$5,099
Pioneer Aerostructures, LLC	637
	\$5,736

Helena School District No. 1

Notes to the Basic Financial Statements

F. Subsequent Events

Management has evaluated the activities and transactions subsequent to June 30, 2025, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2025. Management has performed this evaluation through March 27, 2026, the date the financial statements were available to be issued.

Subsequent to year end, voters approved general obligation bond measures totaling \$283 million, consisting of approximately \$240 million for high school facilities and \$43 million for elementary facilities. The bond proceeds are intended to fund the construction, renovation, and modernization of school facilities and related improvements. No bond proceeds had been issued or expended as of June 30, 2025. This event does not require adjustment to the financial statements but is disclosed for informational purposes.

Required Supplementary Information

See Independent Auditor's Report.

HELENA SCHOOL DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2025

General Fund				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	WITH FINAL
			(BUDGETARY	BUDGET
			BASIS) - NOTE A	
<u>REVENUES</u>				
Property taxes	\$ 18,852,051	\$ 18,852,051	\$ 18,871,944	\$ 19,893
Tuition and fees	82,768	82,768	254,678	171,910
Interest	285,742	285,742	294,968	9,226
Other district revenue	5,344	5,344	7,907	2,563
State of Montana	45,982,015	45,982,015	45,982,015	-
Amounts available for appropriation	65,207,920	65,207,920	65,411,512	203,592
<u>EXPENDITURES</u>				
Regular	36,466,481	36,466,481	34,450,362	(2,016,119)
Special education	5,332,935	5,332,935	5,455,901	122,966
Vocational education	1,673,148	1,673,148	1,646,505	(26,643)
Adult education				
Support services:				
Improvement of instruction services	3,385,403	3,385,403	4,538,518	1,153,115
Educational media services	1,705,051	1,705,051	1,657,279	(47,772)
General administration	1,788,056	1,788,056	1,038,293	(749,763)
School administration	5,281,475	5,281,475	5,426,994	145,519
Business services	1,062,071	1,062,071	1,628,989	566,918
Operations and maintenance of plant	7,073,094	7,073,094	6,379,912	(693,182)
Student transportation services	-	-	213	213
Community services	13,800	13,800	14,428	628
Other	83,397	83,397	6,567	(76,830)
Non-instructional services:				
Extracurricular	1,343,009	1,343,009	1,486,801	(143,792)
Non-instructional services:				
Capital outlay		-	113,964	113,964
Debt service:				
Principal payments	-	-	122,867	122,867
Interest payments	-	-	9,600	9,600
Total charges to appropriations	65,207,920	65,207,920	63,977,193	(1,518,311)
<u>Other Financing Sources (Uses):</u>				
Transfers (out)	-	-	(606,555)	(606,555)
Total other financing sources (uses)	-	-	(606,555)	(606,555)
Net change in fund balance			827,764	
Budgetary fund balance - July 1, 2024			5,979,173	
Restatements			(3,375)	
Budgetary fund balance - June 30, 2025			\$ 6,803,562	

See Independent Auditor's Report.

**HELENA SCHOOL DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION**

Note A - Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

	General Fund
Sources/Inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 65,411,512
Fund 182 inflows of resources - included in the general fund for financial statement reporting purposes, but not for budgetary purposes	261,596
Fund 129 inflows of resources - included in the general fund for financial statement reporting purposes, but not for budgetary purposes	306
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds	\$ 65,673,414
Uses/Outflows of resources	
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 63,977,193
Fund 182 outflows of resources - included in the general fund for financial statement reporting purposes, but not for budgetary purposes	1,866,388
Fund 129 outflows of resources - included in the general fund for financial statement reporting purposes, but not for budgetary purposes	-
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	
Encumbrances reported at the beginning of the year	5,750
Encumbrances reported at the end of the year	(185,812)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 65,663,519

Note: Amounts presented in the Budgetary Comparison Schedule and Related Budget-to-GAAP Reconciliation present only Funds 101 and 201. Other funds included in the general fund for financial statement reporting purposes are not included in these schedules.

HELENA SCHOOL DISTRICT NO.1
Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
For the Year Ended June 30, 2025

Total OPEB Liability	2025	2024	2023	2022	2021
Service cost	\$283,964	\$278,313	\$261,359	\$253,929	\$314,376
Interest on total OPEB liability	168,374	160,720	83,440	82,849	156,717
Effect of economic/demographic gains or (losses)	0	0	(70,969)	0	313,416
Effect of assumption changes or inputs	(2,159,375)	(30,710)	667,908	12,418	(1,172,709)
Benefit payments	(380,124)	(302,851)	(261,558)	(223,484)	(335,187)
Net change in total OPEB liability	(2,087,161)	105,472	680,180	125,712	(723,387)
Total OPEB liability - beginning	4,517,373	4,411,901	3,731,721	3,606,009	4,329,396
Total OPEB liability - ending	\$2,430,212	\$4,517,373	\$4,411,901	\$3,731,721	\$3,606,009

Covered employee payroll N/A

Total OPEB liability as a percentage of covered employee payroll N/A

Total OPEB Liability	2020	2019	2018	2017
Service cost	\$287,391	\$393,351	\$425,373	\$353,556
Interest on total OPEB liability	163,396	204,786	168,305	203,669
Effect of economic/demographic gains or (losses)	0	37,731	0	0
Effect of assumption changes or inputs	109,769	(1,642,661)	(299,813)	368,792
Benefit payments	(328,617)	(441,449)	(453,246)	(450,000)
Net change in total OPEB liability	231,939	(1,448,242)	(159,381)	476,017
Total OPEB liability - beginning	4,097,457	5,545,699	5,705,080	5,229,063
Total OPEB liability - ending	\$4,329,396	\$4,097,457	\$5,545,699	\$5,705,080

Covered employee payroll N/A

Total OPEB liability as a percentage of covered employee payroll N/A

HELENA SCHOOL DISTRICT NO.1
Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios - Continued
Other Postemployment Benefits
For the Year Ended June 30, 2025

Notes to Schedule:

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period for the respective measurement date, as listed:

June 30, 2016	2.85%
June 30, 2017	3.58%
June 30, 2018	3.87%
June 30, 2019	3.50%
June 30, 2020	2.21%
June 30, 2021	2.16%
June 30, 2022	3.54%
June 30, 2023	3.65%
June 30, 2024	3.93%

Governmental Accounting Standard Board, Statement 75 requires this information to be provided for 10 years. Additional years will be displayed as they become available.

HELENA SCHOOL DISTRICT NO. 1
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Teachers Retirement and Public Employees Retirement Systems of Montana
For the Year Ended June 30, 2025

Teachers Retirement System:	2025	2024	2023	2022	2021
As of the June 30 Measurement Date					
Employer's proportion of the net pension liability	3.25%	3.39%	3.38%	3.16%	3.21%
Employer's proportionate share of the net pension liability associated with the employer	\$60,955,442	\$65,615,029	\$66,489,550	\$52,385,366	\$72,115,783
State of Montana's proportionate share of the net pension liability associated with the employer	32,333,437	35,477,861	36,730,831	29,891,716	42,648,393
Total	\$93,288,879	\$101,092,890	\$103,220,381	\$82,277,082	\$114,764,176
Employer's covered payroll	\$4,883,525	\$50,367,168	\$49,623,118	\$45,041,133	\$44,127,462
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	124.70%	130.27%	133.99%	116.31%	163.43%
Plan fiduciary net position as a percentage of the total pension liability	73.33%	71.75%	70.61%	75.54%	64.95%
Public Employees Retirement System:					
	2024	2023	2022	2021	2020
As of the June 30 Measurement Date					
Employer's proportion of the net pension liability	0.37%	0.39%	0.43%	0.42%	0.39%
Employer's proportionate share of the net pension liability associated with the employer	\$9,059,663	\$9,637,753	\$10,209,193	\$7,534,389	\$10,173,105
State of Montana's proportionate share of the net pension liability associated with the employer	2,619,668	2,939,721	3,348,209	2,444,924	3,514,592
Total	\$11,679,331	\$12,577,474	\$13,557,402	\$9,979,313	\$13,687,697
Employer's covered payroll	\$7,464,763	\$7,567,923	\$7,767,459	\$7,556,299	\$6,677,792
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	121.37%	127.35%	131.44%	99.71%	152.34%
Plan fiduciary net position as a percentage of the total pension liability	74.77%	73.93%	73.66%	79.91%	68.90%

See Independent Auditor's Report.

HELENA SCHOOL DISTRICT NO. 1
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Teachers Retirement and Public Employees Retirement Systems of Montana (Continued)
For the Year Ended June 30, 2025

Teachers Retirement System:	2020	2019	2018	2017	2016
As of the June 30 Measurement Date					
Employer's proportion of the net pension liability	3.18%	3.14%	3.15%	3.11%	3.10%
Employer's proportionate share of the net pension liability associated with the employer	\$61,396,152	\$58,350,944	\$53,114,391	\$56,838,244	\$51,008,607
State of Montana's proportionate share of the net pension liability associated with the employer	37,169,121	36,240,550	33,714,733	37,029,697	34,151,359
Total	\$98,565,273	\$94,591,494	\$86,829,124	\$93,867,941	\$85,159,966
Employer's covered payroll	\$43,221,690	\$41,990,904	\$41,549,727	\$40,385,463	\$39,625,370
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	142.05%	138.96%	127.83%	140.74%	128.73%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	69.09%	70.09%	66.69%	69.30%
Public Employees Retirement System:	2019	2018	2017	2016	2015
As of the June 30 Measurement Date					
Employer's proportion of the net pension liability	0.36%	0.35%	0.48%	0.47%	0.47%
Employer's proportionate share of the net pension liability associated with the employer	\$7,569,244	\$7,395,754	\$9,415,853	\$8,078,258	\$6,630,090
State of Montana's proportionate share of the net pension liability associated with the employer	2,700,174	2,729,715	453,964	377,542	311,547
Total	\$10,269,418	\$10,125,469	\$9,869,817	\$8,455,800	\$6,941,637
Employer's covered payroll	\$6,169,141	\$6,020,372	\$6,197,232	\$5,872,509	\$5,722,913
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	122.70%	122.85%	151.94%	137.56%	115.85%
Plan fiduciary net position as a percentage of the total pension liability	73.85%	73.47%	73.75%	74.71%	78.40%

See Independent Auditor's Report.

HELENA SCHOOL DISTRICT NO. 1
Required Supplementary Information
Schedule of Contributions
Teachers Retirement and Public Employees Retirement Systems of Montana
For the Year Ended June 30, 2025

Teachers Retirement System:	2025	2024	2023	2022	2021
As of the June 30 Reporting Date					
Contractually required contributions	\$5,203,381	\$5,196,480	\$5,780,723	\$5,133,013	\$4,316,202
Contributions in relation to the contractually required contributions	5,203,381	5,196,480	5,780,723	5,133,013	4,316,202
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
District's covered payroll	\$48,295,619	\$48,883,525	\$50,367,168	\$49,623,118	\$45,041,133
Contributions as a percentage of covered payroll	10.77%	10.63%	11.48%	10.34%	9.58%
Public Employees Retirement System:					
As of the June 30 Reporting Date					
Contractually required contributions	\$686,103	\$661,311	\$664,111	\$671,037	\$650,443
Plan choice rate required contributions			0	0	0
Contributions in relation to the contractually required contributions	686,103	661,311	664,111	671,037	650,443
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
District's covered payroll	\$7,96,622	\$7,464,763	\$7,567,923	\$7,767,459	\$7,556,299
Contributions as a percentage of covered payroll	8.89%	8.86%	8.78%	8.64%	8.61%

HELENA SCHOOL DISTRICT NO. 1
Required Supplementary Information
Schedule of Contributions
Teachers Retirement and Public Employees Retirement Systems of Montana (Continued)
For the Year Ended June 30, 2025

Teachers Retirement System:	2020	2019	2018	2017	2016
As of the June 30 Reporting Date					
Contractually required contributions	\$5,925,998	\$4,449,351	\$4,371,348	\$4,221,250	\$4,136,450
Contributions in relation to the contractually required contributions	5,925,998	4,449,351	4,371,348	4,221,250	4,136,450
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
District's covered payroll	\$44,127,462	\$43,221,690	\$41,990,904	\$41,549,727	\$40,385,463
Contributions as a percentage of covered payroll	13.43%	10.29%	10.41%	10.16%	10.24%
Public Employees Retirement System:	2020	2019	2018	2017	2016
As of the June 30 Reporting Date					
Contractually required contributions	\$566,843	\$513,872	\$493,585	\$501,979	\$474,831
Plan choice rate required contributions	0	0	0	-	11,288
Contributions in relation to the contractually required contributions	566,843	513,872	493,585	501,979	486,119
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
District's covered payroll	\$6,677,792	\$6,169,141	\$6,020,372	\$6,197,232	\$5,872,509
Contributions as a percentage of covered payroll	8.49%	8.33%	8.20%	8.10%	8.28%

HELENA PUBLIC SCHOOLS
Notes to Required Supplementary Information
Pension Plan Information
For the Year Ended June 30, 2025

Teacher's Retirement System

Changes of Benefit Terms: There have been no material changes of benefit terms in the past ten years.

Changes in actuarial assumptions and other inputs:

The following changes to the actuarial assumptions were adopted in 2022:

- The discount rate was increased from 7.06% to 7.30%.
- The investment rate of return assumption was increased from 7.06% to 7.30%.
- The inflation rate was increased from 2.40% to 2.75%.
- Updated all mortality tables to the PUB-2010 tables for teachers.
- Updated the rates of retirement and termination.
- Updated the salary scale merit rates.

The following changes to the actuarial assumptions were adopted in 2021:

- The discount rate was lowered from 7.34% to 7.06%.
- The investment rate of return assumption was lowered from 7.34% to 7.06%

The following changes to the actuarial assumptions were adopted in 2020:

- The discount rate was lowered from 7.50% to 7.34%.
- The investment rate of return assumption was lowered from 7.50% to 7.34%.
- The inflation rate was reduced from 2.50% to 2.40%

The following changes to the actuarial assumptions were adopted in 2019:

- The Guaranteed Annual Benefit Adjustment (GABA) for Tier Two members is a variable rate between 0.50% and 1.50% as determined by the Board. Since an increase in the amount of the GABA is not automatic and must be approved by the Board, the assumed increase was lowered from 1.50% to the current rate of 0.50% per annum.

The following changes to the actuarial assumptions were adopted in 2018:

- Assumed rate of inflation was reduced from 3.25% to 2.50%.
- Payroll growth assumption was reduced from 4.00% to 3.25%.
- Investment return assumption was reduced from 7.75% to 7.50%.
- Wage growth assumption was reduced from 4.00% to 3.25%.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
 - For Males and Females: RP-2000 Healthy Combined Mortality Table Projected to 2022 adjusted for partial credibility setback for two years.

The tables include margins for mortality improvement which is expected to occur in the future.

- Mortality among disabled members was updated to the following:
 - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
 - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.

HELENA PUBLIC SCHOOLS
Notes to Required Supplementary Information
Pension Plan Information
For the Year Ended June 30, 2025

- Retirement rates were updated
- Termination rates were updated
- Rates of salary increases were updated

The following changes to the actuarial assumptions were adopted in 2016:

- The normal cost method has been updated to align the calculation of the projected compensation and the total present value of plan benefits so that the normal cost rate reflects the most appropriate allocation of plan costs over future compensation.

The following changes to the actuarial assumptions were adopted in 2015:

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three-year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members "to account for larger than average annual compensation increases observed in the years immediately preceding retirement" is not applied to benefits expected to be paid to university members on account of death, disability and termination prior to retirement eligibility.
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 60 is 8.50% as stated in the actuarial valuation report.
- The actuarial valuation was updated to reflect the fact that vested terminations are only covered by the \$500 death benefit for the one year following their termination and, once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the terminated members that are assumed to "retain membership in the System" are covered by the \$500 death benefit after termination.

Method and assumptions used in calculations of actuarially determined contributions:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	29 years
Asset valuation method	4-year smoothed market
Inflation	2.75 percent
Salary increase	3.50 to 9.00 percent, including inflation for Non-University Members and 4.25% for University Members
Investment rate of return	7.30 percent , net of pension plan investment expense, and including inflation

HELENA PUBLIC SCHOOLS
Notes to Required Supplementary Information
Pension Plan Information
For the Year Ended June 30, 2025

Public Employees Retirement System

Changes of Benefit Terms

The following changes to the plan provisions were made as identified:

Working Retiree Limitations - for PERS

Effective July 1, 2017, If a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds

- 1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest Credited to Member Accounts

Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-Sum Payouts

Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

HELENA PUBLIC SCHOOLS
Notes to Required Supplementary Information
Pension Plan Information
For the Year Ended June 30, 2025

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2022 Experience Study:

General Wage Growth*	3.50%
Investment Rate of Return*	7.30%
*Includes inflation at	2.75%
Merit salary increases	0% to 4.80%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality	
- Active participants	PUB-2010 General Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
- Disabled retirees	PUB-2010 General Amount Weighted Disabled Retiree mortality table, projected to 2021, set forward one year for both males and females.
- Contingent survivors	PUB-2010 Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
- Healthy retirees	PUB-2010 General Amount Weighted Healthy Retiree Mortality Table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

Other Supplemental Information

HELENA SCHOOL DISTRICT NO. 1
Supplemental Schedule of School Enrollment
for the Year Ended June 30, 2025

Students Grade K – 8

Full-Time Students:

Fall Enrollment-EI District	MAEFAIRS	DISTRICT REPORTS	Difference
Kindergarten	501	501	0
Grades 1-6	3,456	3,456	0
Grades 7-8	1,149	1,149	0
Classroom Based Early Literacy	47	47	0
Jumpstart	0	0	0
Kindergarten	0	0	0
1st Grade	0	0	0
2nd Grade	0	0	0
3rd Grade	0	0	0
Spring Enrollment-EI District	MAEFAIRS	DISTRICT REPORTS	Difference
Kindergarten	512	512	0
Grades 1-6	3,441	3,441	0
Grades 7-8	1,144	1,144	0
Classroom Based Early Literacy	49	49	0

Part Time Students:

Fall Enrollment EI	Per MAEFAIRS Enrollment Reports				Per District Reports			
	<180 hrs/yr	180-359	360-539	540-719 hrs/yr	180-359	360-539	540-719	Difference
Early Childhood Literacy	0	0	0	0	0	0	0	0
Transition 1-6	2	63	0	6	65	0	6	0
Kindergarten	0	0	0	0	0	0	0	0
1-6	0	0	0	0	0	0	0	0
7-8	0	21	8	6	21	8	6	0
Extra Curricular Previous	0	0	0	0	0	0	0	0
Spring Enrollment EI	Per MAEFAIRS Enrollment Reports				Per District Reports			
	<180 hrs/yr	180-359	360-539	540-719 hrs/yr	180-359	360-539	540-719	Difference
Early Childhood Literacy	0	0	0	0	0	0	0	0
Transition 1-6	1	59	7	2	60	7	2	0
Kindergarten)	0	0	0	0	0	0	0	0
1-6	0	0	0	0	0	0	0	0
7-8	0	27	2	9	27	2	9	0

Students Grade 9 – 12:

Full-Time Students:

Fall Enrollment-HS District	MAEFAIRS	DISTRICT REPORTS	Difference
Grade 9 - 12	2,416	2,416	0
19-year olds included			0
Job Corps			0
Youth challenge			0
Spring Enrollment-HS District	MAEFAIRS	DISTRICT REPORTS	Difference
Grade 9 - 12	2,419	2,419	0
19-year olds included			0
Job Corps			0
Youth challenge			0
Early Graduates			0

Part Time Students:

Fall Enrollment HS	Per MAEFAIRS Enrollment Reports				Per District Reports			
	<180 hrs/yr	180-359	360-539	540-719 hrs/yr	180-359	360-539	540-719	Difference
9 - 12	1	31	20	32	32	20	32	0
Extra Curricular Previous	0	0	0	0	0	0	0	0
Spring Enrollment HS	Per MAEFAIRS Enrollment Reports				Per District Reports			
	<180 hrs/yr	180-359	360-539	540-719 hrs/yr	180-359	360-539	540-719	Difference
9 - 12	0	49	36	50	49	36	50	0

HELENA SCHOOL DISTRICT NO. 1
Supplemental Schedule of Student Extracurricular Fund

		Balance 7/1/2024	Expenditure	Revenue	Balance 6/30/2025
184		204,117	(126,213)	125,245	203,149
000		142,384	(46,381)	54,218	150,221
0196	CRA INVESTMENT	0	0	0	0
0193	BRYANT INVESTMENT- STUCO	1	0	0	1
0197	HMS INVESTMENT	6	0	2	8
0220_0801_0802	STUDENT ACTIVITIES	142,377	(46,381)	54,216	150,212
051- CRA		41,094	(38,523)	26,769	29,341
BAND	BAND FUND 184_284	9,968	(16,959)	9,608	2,618
CHES	CHESS CLUB_FUND 184	149	(96)	87	141
CHOR	CHORUS_FUND 184_284	606	(2,090)	3,749	2,265
DANC	DANCE CLUB_FUND 184	10,578		475	11,053
DSTU	DISTRICT STUDENT COUNCIL_FUND 184	0	0	0	0
HOTC	HOT CHOCOLATE FOR CANCER_FUND 184	39	(1,400)	1,413	53
INTL	INTERNATIONAL CLUB_FUND 184_284	246	0	0	246
NICE	NICENESS IS PRICELESS_FUND 284	390	0	0	390
ORCH	ORCHESTRA_FUND 184_284	5,637	(1,740)	3,760	7,657
SPAN	SPANISH CLUB_FUND 184_284	222			222
STUC	STUDENT COUNCIL_FUND 184_284	13,286	(16,238)	7,676	4,723
YRBK	YEARBOOK_FUND 184_284	(40)	0	0	(40)
CCCX	CROSS COUNTRY CO_ED FUND 184	5	0	0	5
PBSX	PBS CLUB_FUND 184	8	0	0	8
0196	CRA INVESTMENT	0			0
052-HMS		20,638	(41,309)	44,258	23,587
ARTT	ART TECHNOLOGY_FUND 184	1,443	(414)	957	1,986
BAND	BAND FUND 184_284	1,821	(22,622)	29,231	8,430
BIRD	HMS BOBCAT BIRDERS_FUND 184	607	0	0	607
BOOK	BOOK CLUB_FUND 184	1,698	(2,432)	2,012	1,279
CHES	CHESS CLUB_FUND 184	78	0	0	78
CHOR	CHORUS_FUND 184_284	256	(65)	0	191
COMP	COMPUTER TECH CLUB_FUND 184	251	0	0	251
CVCS	CIVICS CLUB_FUND 184	623	0	0	623
DRMA	DRAMA CLUB_FUND 184	276	0	0	276
FEST	FESTIVAL ORCHESTRA_FUND ???	1,105	(107)	47	1,045
FISH	FISHING CLUB_FUND 184	709	0	0	709
MATH	MATH COUNTS_FUND ???	477	(477)	0	0
OLYM	SCIENCE OLYMPIAD_FUND 115_184	259	(1,549)	2,041	751
OUTR	HMS OUTREACH_FUND 184	932	(342)	850	1,439
SPAN	SPANISH CLUB_FUND 184_284	223	0	0	223
STUC	STUDENT COUNCIL_FUND 184_284	3,065	(10,172)	4,293	(2,814)
WEBB	WEB_HMS WELCOME_INVOLVEMENT_FUND 184	2,936	(3,129)	2,459	2,266
YLWX	YELLOWSTONE CLUB_FUND 184	3,161	0	0	3,161
YRBK	YEARBOOK_FUND 184_284	5	0	0	5
CART	CONSTRUCTION ARTS CLUB_FUND 184	387	0	0	387
ITEC	INDUSTRIAL TECHNOLOGY_FUND 184	326	0	2,370	2,696

See independent auditors' report.

HELENA SCHOOL DISTRICT NO. 1
Supplemental Schedule of Student Extracurricular Fund

		Balance			Balance
		7/1/2024	Expenditure	Revenue	6/30/2025
284		745,323	(1,105,330)	1,324,640	964,633
District Activities - High School		41,020	(308,146)	387,672	120,546
0220_0803_0804	STUDENT ACTIVITIES	62,635	(264,272)	354,328	152,691
0296	CHS INVESTMENT	255			255
0297	HHS INVESTMENT	643	(1,000)	1,007	650
0225	DIST SPONSORED TOURNAMENT	(22,513)	(42,874)	32,337	(33,050)
Helena High School		306,677	(429,744)	490,539	367,472
ARTC	ART CLUB_FUND 284	1,698	0	76	1,775
ASTR	ASTRONOMY CLUB_FUND 284	184	0	0	184
AUTO	AUTO CLUB_FUND 284	9,094	(4,553)	7,967	12,508
BAND	BAND FUND 184_284	18,390	(1,731)	3,906	20,564
BBBX	BASKETBALL_BOYS_FUND 284	5,614	(21,255)	21,062	5,421
BBCX	BRAWNEY BENGAL CLUB_FUND 284	89	0	0	89
BBGX	BASKETBALL_GIRLS_FUND 284	2,485	(10,333)	9,091	1,243
BOWL	BOWLING CLUB_284	737	0	0	737
BPOA	BUSINESS PROFESSIONALS_FUND 284	3,815	(10,141)	7,880	1,554
CATE	CULINARY CATERING_FUND 284	9,441	(4,544)	2,730	7,627
CCBX	CROSS COUNTRY-BOYS_FUND 284	18,628	(19,966)	27,677	26,339
CCGX	CROSS COUNTRY-GIRLS_FUND 284	19,042	(21,184)	29,664	27,522
CHCC	CARNEGIE HALL CHOIR CLUB_FUND ???	259	0	0	259
CHOR	CHORUS_FUND 184_284	5,407	(3,088)	6,237	8,557
CHRX	CHEERLEADERS_FUND 284	3,122	(6,791)	6,520	2,850
CMNT	CONCESSIONS MANAGEMENT_FUND 284	4,602	0	650	5,252
CONC	CONCESSIONS_FUND 284	26,077	(21,300)	19,682	24,459
DECA	DECA CLUB_FUND 284	3,250	(36,725)	38,646	5,171
DRFT	DRAFTING CLUB_FUND 284	1,120	(994)	1,124	1,250
ETTE	BENGALETTES_FUND 284	104	(4,807)	7,107	2,404
FBXX	FOOTBALL_FUND 284	5,761	(40,719)	42,328	7,369
FCAX	FCA CLUB_FUND 284	229	0	0	229
FCCL	FCCLA CLUB_FUND 284		0	200	200
FLSP	FLS PEERS_FUND 284	3,105	(2,137)	1,830	2,798
FORE	FORENSICS-SPEECH-DEBATE_FUND 284	7,333	(16,098)	15,784	7,019
FREN	FRENCH CLUB_FUND 284	270	0	0	270
GERM	GERMAN CLUB_FUND 284	169	(1,410)	1,446	205
GOLF	GOLF_FUND 284	4,077	(5,529)	7,097	5,645
GRNG	GREEN CLUB_FUND 284	3,993	(1,065)	595	3,523
GSAX	GAY-STRAIGHT ALLIANCE_FUND 284	366	0	0	366
HOSA	HOSA CLUB_FUND 284	725	(112)	208	822
JMGX	JOBS FOR MT GRADUATES_FUND 284	590	0	0	590
KEYX	KEY CLUB_FUND 284	689	(602)	473	560
KNIT	KNITTING CLUB_FUND 284	7	0	0	7
LATI	LATIN CLUB_FUND 284	2,440	0	110	2,549
LIBC	LIBRARY CLUB_FUND 284	659	(616)	0	44
LINK	LINK CREW_FUND 284	4,788	(1,274)	1,445	4,959
MOCK	MOCK TRIAL_FUND 284	2,199	(14,060)	13,751	1,890
MSCX	MORAL SCIENCE CLUB_FUND 284		0	66	66
NALX	NATIVE AMERICAN LEADERSHIP_FUND 284	1,108	(1,193)	3,324	3,239
NHSX	NATIONAL HONORS SOCIOETY_FUND 284	1,137	(1,242)	1,395	1,290
NICE	NICENESS IS PRICELESS_FUND 284	8	(1,298)	3,765	2,475
NUGG	NUGGET NEWSPAPER_FUND 284	32	0	0	32
ORCH	ORCHESTRA_FUND 184_284	2,739	(3,816)	5,039	3,962
OUTC	OUTDOORS CLUB_FUND 284	1,596	(205)	146	1,537
PTRY	POTTERY_FUND 284	1,987	0	89	2,076
SCIE	SCIENCE CLUB_FUND 284	1,649	(511)	1,936	3,073

See independent auditor's report.

HELENA SCHOOL DISTRICT NO. 1
Supplemental Schedule of Student Extracurricular Fund - (Continued)

		Balance			Balance
		7/1/2024	Expenditure	Revenue	6/30/2025
Helena High School - Continued					
SKIL	SKILLS USA_FUND 284	2,176	(164)	140	2,152
SOCB	SOCCER-BOYS_FUND 284	1,390	(16,839)	17,737	2,288
SOCG	SOCCER-GIRLS_FUND 284	2,596	(11,337)	12,506	3,765
SOFT	SOFTBALL_FUND 284	5,008	(9,170)	9,258	5,096
SPAN	SPANISH CLUB_FUND 184_284	283.01	(325.00)	330.00	288.01
SSEM	SCIENCE SEMINAR_FUND ???	2,953.87	(291.30)	131.72	2,794.29
STOR	SCHOOL STORE_FUND 284	4,141.03	(29,659.74)	31,391.59	5,872.88
STUC	STUDENT COUNCIL_FUND 184_284	10,724.01	(19,983.27)	20,172.23	10,912.97
SVNS	3-7-77'S CLUB_FUND 284	485.96	-	-	485.96
SWIM	SWIM TEAMS_FUND 284	5,264.74	(2,823.22)	5,937.26	8,378.78
TENN	TENNIS_FUND 284	10,667.45	(2,084.97)	5,526.77	14,109.25
THES	THESPIANS_FUND 284	4,848.95	(7,271.00)	8,242.86	5,820.81
TRKB	TRACK_BOYS_FUND 284	6,808.11	(11,770.42)	14,964.93	10,002.62
TRKG	TRACK_GIRLS_FUND 284	12,820.13	(17,919.48)	16,256.34	11,156.99
TRNR	STUDENT TRAINERS_FUND 284	1,258.72	(1,248.39)	2,640.13	2,650.46
TRVL	TRAVEL CLUB_FUND 284	4,521.85	(6,761.02)	10,765.25	8,526.08
VBXX	VOLLEYBALL_FUND 284	1,222.72	(13,764.03)	14,538.06	1,996.75
WELD	WELDING CLUB_FUND 284	11,305.44	(8,147.58)	7,012.55	10,170.41
WORD	WORD CLUES_FUND 284	64.30	-	-	64.30
WRES	WRESTLING_FUND 284	7,757.58	(9,883.43)	8,372.54	6,246.69
WWRK	WOODWORKERS CLUB_FUND 284	1,733.23	(807.62)	1,828.44	2,754.05
YRBK	YEARBOOK_FUND 184_284	27,830.36	(195.00)	11,741.17	39,376.53
Capital High School		396,404.41	(366,753.03)	445,499.01	475,150.39
ANYL	ALL NATIONS YOUTH LEADERSHIP COUNCIL	-	-	862.25	862.25
APLT	AP LITERATURE_FUND 284	2,354.48	-	105.85	2,460.33
ARTC	ART CLUB_FUND 284	192.29	-	-	192.29
ARTS	ART SEEN_FUND 284	35.05	-	-	35.05
AWQX	ACADEMIC WORLDQUEST	995.01	-	-	995.01
BAND	BAND FUND 184_284	1,942.92	(1,098.16)	2,116.53	2,961.29
BBBX	BASKETBALL_BOYS_FUND 284	14,969.44	(20,965.78)	18,493.49	12,497.15
BBGX	BASKETBALL_GIRLS_FUND 284	10,765.07	(20,880.17)	18,494.94	8,379.84
BEAR	BEAR NECESSITIES_FUND 284	17,958.20	(17,629.53)	34,297.55	34,626.22
BIOT	BIOLOGY II TRAVEL FUND 215	178.98	-	-	178.98
BPOA	BUSINESS PROFESSIONALS_FUND 284	3,585.57	(13,707.24)	11,222.54	1,100.87
BSCH	BAND SCHOLARSHIP_FUND 284	474.31	-	-	474.31
CADE	CADETTES_FUND 284	1,791.07	(3,931.10)	3,674.97	1,534.94
CCBX	CROSS COUNTRY-BOYS_FUND 284	16,187.90	(15,070.58)	18,899.06	20,016.38
CCGX	CROSS COUNTRY-GIRLS_FUND 284	7,942.00	(9,675.97)	18,515.71	16,781.74
CHMX	CHEMISTRY CLUB_AMERICAN CHEMICAL SOCIETY_FUND	150.77	-	-	150.77
CHOR	CHORUS_FUND 184_284	9,289.43	(11,130.86)	5,882.57	4,041.14
CHRX	CHEERLEADERS_FUND 284	4,117.16	(7,969.45)	7,685.66	3,833.37
CHTC	CAPITAL HIGH TRAVEL CLUB	264.24	(2,050.97)	1,935.91	149.18
CMPS	COMPUTER SCIENCE CLUB_FUND 284	220.60	-	-	220.60
CONC	CONCESSIONS_FUND 284	10,381.72	(14,717.64)	14,934.11	10,598.19
DECA	DECA CLUB_FUND 284	529.53	(21,478.79)	22,292.29	1,343.03
DOME	CAPITAL DOME_FUND 284	49,881.79	(240.00)	42,476.32	92,118.11
DSGN	DESIGN CLUB_FUND 284	154.74	-	-	154.74
ECOX	ECO CLUB_FUND284	277.48	(939.43)	699.50	37.55
FBXX	FOOTBALL_FUND 284	4,619.04	(20,766.82)	21,100.70	4,952.92
FCCL	FCCLA CLUB_FUND 284	3,370.32	-	151.48	3,521.80
FFSH	FLY FISHING CLUB_FUND 284	1,439.51	(1,022.54)	638.19	1,055.16
FOOD	FOOD PANTRY_FUND 184_284	0.51	-	-	0.51
FORE	FORENSICS-SPEECH-DEBATE_FUND 284	2,692.56	(5,495.91)	5,442.29	2,638.94
FPWR	FEMALE EMPOWERMENT_FUND 284	450.18	-	-	450.18
FREN	FRENCH CLUB_FUND 284	578.56	(432.02)	2.47	1,149.01

See independent auditor's report

HELENA SCHOOL DISTRICT NO. 1
Supplemental Schedule of Student Extracurricular Fund - (Continued)

		Balance			Balance
		7/1/2024	Expenditure	Revenue	6/30/2025
Capital High School - Continued					
GALA	MUSIC DEPT GALA ACCOUNT_FUND???	420.44	-	-	420.44
GERM	GERMAN CLUB_FUND 284	1,918.37	(1,365.19)	1,433.53	1,986.71
GOLF	GOLF_FUND 284	9,928.79	(6,768.39)	5,357.21	8,517.61
GRNG	GREEN CLUB_FUND 284	7,062.23	(5,126.05)	1,574.97	3,511.15
GSAX	GAY-STRAIGHT ALLIANCE_FUND 284	432.13	-	-	432.13
HELP	BRUINS HELPING BRUINS_FUND 284	3,660.87	(286.00)	2,901.03	6,275.90
HOSA	HOSA CLUB_FUND 284	2,095.10	(4,636.46)	4,001.08	1,459.72
KEYX	KEY CLUB_FUND 284	533.29	(330.00)	444.00	647.29
LATI	LATIN CLUB_FUND 284	1,102.72	-	49.57	1,152.29
LIFT	LIFTING CLUB_FUND 284	1,686.03	-	75.77	1,761.80
LINK	LINK CREW_FUND 284	625.83	(617.50)	-	8.33
MEDX	SPORTS MED-1ST AID_FUND 284	36.25	(120.92)	240.00	155.33
MODB	MODERN BAND_FUND 284	650.00	(1,607.45)	1,144.00	186.55
NAHB	NATIONAL ASSOC OF HOME BUILDERS_FUND 284	0.29	-	-	0.29
NHSX	NATIONAL HONORS SOCIOETY_FUND 284	2,579.05	(2,392.50)	1,527.67	1,714.22
NICE	NICENESS IS PRICELESS_FUND 284	1,122.66	(1,000.00)	-	122.66
ORCH	ORCHESTRA_FUND 184_284	6,578.47	(5,365.58)	4,116.00	5,328.89
OUTC	OUTDOORS CLUB_FUND 284	70.84	-	-	70.84
PART	PARTNERS CLUB_FUND 284	1,526.64	(38.97)	1,132.14	2,619.81
PAWP	PAW PRINT_FUND 284	1,306.09	-	58.70	1,364.79
PENI	PEN AND INK_FUND 284	2,086.78	(55.23)	304.75	2,336.30
PHOT	PHOTO CLUB_FUND			6,000.00	6,000.00
PPNT	PAWSITIVELY PRINTING_FUND 284	742.33	(173.00)	376.00	945.33
PURE	PURE PERFORMANCE GROUP_FUND 284	7,019.67	(558.07)	978.36	7,439.96
ROBO	SCIENCE ROBOTICS_FUND 284	6,892.53	-	309.82	7,202.35
RSPT	RESPECT CLUB_FUND 284	86.65	-	-	86.65
SCIE	SCIENCE CLUB_FUND 284	4,083.87	(2,793.04)	3,241.66	4,532.49
SKIL	SKILLS USA_FUND 284	1,541.70	-	69.30	1,611.00
SOCB	SOCCER-BOYS_FUND 284	7,843.55	(4,487.02)	1,625.11	4,981.64
SOCG	SOCCER-GIRLS_FUND 284	138.77	(5,424.60)	5,617.55	331.72
SOFT	SOFTBALL_FUND 284	4,620.30	(9,352.44)	11,442.73	6,710.59
SPAN	SPANISH CLUB_FUND 184_284	1,546.16	(569.90)	661.14	1,637.40
SPTV	SPANISH CLUB TRAVEL_FUND 215	85.96	-	-	85.96
STUC	STUDENT COUNCIL_FUND 184_284	38,280.15	(34,808.97)	32,101.78	35,572.96
SWIM	SWIM TEAMS_FUND 284	2,592.15	(2,431.03)	3,050.15	3,211.27
TENN	TENNIS_FUND 284	11,844.79	(10,164.57)	8,105.26	9,785.48
THES	THESPIANS_FUND 284	43,576.54	(13,712.60)	25,759.95	55,623.89
TRKB	TRACK_BOYS_FUND 284	12,846.75	(11,272.20)	17,005.39	18,579.94
TRKG	TRACK_GIRLS_FUND 284	10,690.76	(17,364.09)	12,294.07	5,620.74
UPWD	UPWARD BOUND	999.29	-	-	999.29
VBXX	VOLLEYBALL_FUND 284	11,288.15	(17,733.53)	20,931.23	14,485.85
VGCX	VIDEO GAME CLUB_FUND 284	173.88	-	-	173.88
VICA	VICA MACHINES_FUND 284	196.01	-	-	196.01
VPAR	VIGILANTE PARADE_FUND ???	300.59	(3,975.00)	4,200.00	525.59
WRES	WRESTLING_FUND 284	10,961.79	(11,840.79)	17,341.10	16,462.10
XIII	CLASS OF 2023_FUND 284	1,134.49	(1,178.98)	46.73	2.24
XXII	CLASS OF 2022_FUND 284	1,265.47	-	56.88	1,322.35
XXXI	CLASS OF 2021_FUND 284	1,000.00	-	-	1,000.00
YTHA	YOUTH ALIVE_FUND 284	262.44	-	-	262.44
YTHL	YOUTH LEGISLATURE_FUND 284	176.37	-	-	176.37
0220	STUDENT ACTIVITIES				
0296	CHS INVESTMENT				
0225	DIST SPONSORED TOURNAMENT				
055-PAL		1,221.78	(686.76)	930.00	1,465.02
YRBK	YEARBOOK_FUND 184_284	1,221.78	(686.76)	930.00	1,465.02

See independent auditor's report.

Single Audit Section

See independent auditor's report.

Helena School District #1
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-through Grantors Number	Disbursements/ Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Programs:			
Indian Education – Grants to Local Education Agencies	84.060	S060A240856	48,442
Total direct programs			<u>48,442</u>
U.S. DEPARTMENT OF EDUCATION			
Pass-through Montana Office of Public Instruction:			
Special Education – Olympic Education Programs	84.380	N/A	556
Title I Grants to Local Educational Agencies	84.010	250487312024	261,131
Title I Grants to Local Educational Agencies	84.010	250487312025	2,012,619
Title I Grants to Local Educational Agencies	84.010	250487312024	13,707
Title I Grants to Local Educational Agencies	84.010	250487312025	18,916
Title I Grants to Local Educational Agencies	84.010	250487372024	16,709
Title I Grants to Local Educational Agencies	84.010	250487372025	26,707
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	250488312025	16,111
Striving Readers	84.371	250487392024	20,682
Education for Homeless Children and Youth	84.196	250487572024	3,088
Education for Homeless Children and Youth	84.196	250487572025	30,721
Adult Education – Basic Grants to States	84.002	250488562025	59,749
Career and Technical Education – Basic Grants to States	84.048	0250488812025	148,258
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126		35,366
Student Support and Academic Enrichment Program- Stronger Connections	84.424	0250487532025	177,761
Education Stabilization Fund	84.425		84
Education Stabilization Fund	84.425U	0250487932021	280,281
Education Stabilization Fund	84.425W	0250487972021	1,627
Education Stabilization Fund	84.425W	0250487972021	29,733
Title III, Part A, English Language Acquisition & Enhancement	85.365	0250487312025	3,027
Special Education Cluster:			
Special Education – Grants to States	84.027	0250487772025	2,015,408
Special Education – Preschool Grants	84.173	0250487792025	53,862
Total Special Education Cluster			<u>2,069,270</u>
Total pass-through Montana Office of Public Instruction			<u>5,226,103</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Pass Through Montana Department of Transportation			
State and Community Highway Safety	20.600	69A3752030000405BMT	46,617
State and Community Highway Safety	20.600	69A3752030000405BMT	13,888
Total pass-through Montana Department of Transportation			<u>60,505</u>
ENVIRONMENTAL PROTECTION AGENCY			
Pass Through Soil and Water Conservation Districts of Montana			
Environmental Education Grants	66.951	N/A	777
Total Environmental Protection Agency			<u>777</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass Through Montana Department of Public Health and Human Services			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	H79SM083651	8,320
Total US Dept of Health and Human Services			<u>8,320</u>
U.S. DEPARTMENT OF JUSTICE			
Pass Through School Services of Montana			
STOP School Violence	16.839	N/A	13,048
Total US Dept of Justice			<u>13,048</u>

See independent auditor's report.

Helena School District #1
Schedule of Expenditures of Federal Awards - Continued
For the Fiscal Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-through Grantors Number	Disbursements/ Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through Montana Office of Public Information			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):	10.555	N/A	191,082
National School Lunch Program			
Cash Assistance:			
School Breakfast Program	10.553	N/A	614,416
National School Lunch Program	10.555	N/A	1,322,367
National School Lunch Program	10.555	N/A	107,146
Summer Food Service Program	10.559	N/A	342,471
School Fresh Fruit and Vegetable Program	10.582	N/A	109,622
Total Child Nutrition Cluster			<u>2,687,104</u>
Child and Adult Food Care Program	10.558	N/A	58,898
Total U.S Department of Agriculture			<u>2,746,002</u>
TOTAL FEDERAL ASSISTANCE			<u>8,103,197</u>

Helena School District #1
Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Helena School District #1 under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Helena School District #1.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 – Indirect Cost Rate

Helena School District #1 has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 – Subrecipients

The District does not have any subrecipients or subrecipient expenditures.

Note 5 – Nonmonetary Transactions

The District received \$191,082 in USDA Commodities during the 2024-2025 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as an expense of the Fund receiving the commodities.

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

Board of Trustees
Helena School District No.1
Helena, MT

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Helena School District No.1, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Helena School District No.1's basic financial statements, and have issued our report thereon dated March 27, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Helena School District No.1's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Helena School District No.1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Helena School District No.1's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is reasonable possibility that a material misstatement of the Helena School District No.1's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Helena School District No.1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Helena School District No.1's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Helena School District No.1's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

Billings, Montana

March 27, 2026

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

Board of Trustees
Helena School District No.1
Helena, MT

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Helena School District No.1's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2025. Helena School District No.1's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Helena School District No.1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

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

We are required to be independent of Helena School District No.1 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Helena School District No.1's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Helena School District No.1's federal program.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Helena School District No.1' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Helena School District No.1's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Helena School District No.1's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Helena School District No.1's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Helena School District No.1's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Wipfli LLP

Wipfli LLP

Billings, Montana

March 27, 2026

Helena School District No.1

Schedule of Findings and Questioned Costs

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X No

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs

<u>AL Number(s)</u>	<u>Federal Program or Cluster</u>
10.553, 10.555, 10,559, 10.582	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Helena School District No.1

Schedule of Findings and Questioned Costs (Continued)

Section II - Financial Statement Findings - None

Section III - Federal Award Findings and Questioned Costs - None

Section IV - Auditees Summary Schedule of Prior Year Audit Findings - None