

**SCHOOL DISTRICT NUMBER 58  
YELLOWSTONE COUNTY  
BILLINGS, MONTANA**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2025**

**OLNESS & ASSOCIATES, P. C.**

CERTIFIED PUBLIC ACCOUNTANTS

15 AVANTA WAY, SUITE 1  
BILLINGS, MONTANA 59102  
(406) 698.0022

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SCHOOL DISTRICT NUMBER 58

ORGANIZATION

June 30, 2025

BOARD OF TRUSTEES

Michael Chandler	Chairman
Lacey Jones	Vice-Chairman
Skyler Carroll	Trustee

OFFICIALS

Keith Tresch	Superintendent
Laurie Hicketier	Clerk

# OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

15 AVANTA WAY, SUITE 1

BILLINGS, MONTANA 59102

(406) 698.0022

CURTIS D. WYSS, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
School District Number 58  
Billings, Montana

### Report on the Audit of the Financial Statements

#### Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District Number 58, Billings, Montana (the government) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

#### Qualified Opinion:

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the government, as of June 30, 2025, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### Unmodified Opinions:

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the government as of June 30, 2025, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the government 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 qualified and unmodified audit opinions.

#### Matter Giving Rise to the Qualified Opinion:

Management has not recorded the total other postemployment benefit (OPEB) liability and related expense in the governmental activities. Accounting principles generally accepted in the United States of America require that the total OPEB liability and related expense be recorded, which would increase liabilities, decrease net position and change expenses in the governmental activities. The amount by which this departure would affect liabilities, net position and expenses has not been determined.

#### Emphasis of Matter

As described in Note 1 to the financial statements, in 2025, the government adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*. Our opinions are not modified with respect to these matters.

#### Responsibilities of Management for the Financial Statements

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

## INDEPENDENT AUDITOR'S REPORT (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 government's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

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

### Required Supplementary Information

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

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the government's basic financial statements. The accompanying schedule of school district enrollment is presented for purposes of additional analysis and is 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 schedule of school district enrollment is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2026, on our consideration of the government'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 the government'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 government's internal control over financial reporting and compliance.

*O'ness & Associates, PC*

Billings, Montana  
February 27, 2026

SCHOOL DISTRICT NUMBER 58  
MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis of School District Number 58's financial performance provides an overview of the government's financial activities for the year ended June 30, 2025. Please read the information here in conjunction with our financial statements and footnotes which begin on page 8.

**FINANCIAL HIGHLIGHTS**

- Net position increased \$183,769 as a result of this year's operations.
- Total fund balances increased \$283,407 over the prior year.
- General fund budget authority increased \$4,560 over the prior year. There were no general fund budget amendments.

**USING THIS AUDIT REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements provide information about the activities of the government as a whole and present a longer-term view of the finances. The fund financial statements tell how these services were financed in the short term, as well as, what remains for future spending. Fund financial statements also report the government's operations in more detail than the government-wide statements by providing information about the most significant funds.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

**Government-wide financial statements**

One of the most important questions asked about the government's finances is, "Is the district as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the government as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report net position and changes in it. You can think of net position - the difference between assets and deferred outflows less liabilities and deferred inflows - as one way to measure the government's financial health, or financial position. Over time, increases or decreases in net position is an indicator of whether the government's financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the property tax base, economy, enrollment and changes in the State's funding of educational costs to assess the overall health.

**Fund financial statements**

The fund financial statements provide detailed information about the most significant funds—not the government as a whole. Some funds are required to be established by State law. Also, the governing body establishes many other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other money. We utilize the following funds:

Governmental funds—Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations.

SCHOOL DISTRICT NUMBER 58  
MANAGEMENT'S DISCUSSION & ANALYSIS

**THE GOVERNMENT AS A WHOLE**

As noted earlier, net position may serve over time as a useful way to measure the government's financial health. In our case, net position was \$792,775 as of June 30, 2025. Following are schedules of net position and change in net position.

NET POSITION:

	2025	2024	Change
Current and other assets	\$ 4,804,666	\$ 4,520,952	\$ 283,714
Capital assets	307,200	101,952	205,248
Total assets	<u>5,111,866</u>	<u>4,622,904</u>	<u>488,962</u>
Deferred outflows	<u>1,005,679</u>	<u>1,055,099</u>	<u>(49,420)</u>
Other liabilities	11,246	10,814	432
Long-term liabilities	<u>5,081,322</u>	<u>5,669,384</u>	<u>(588,062)</u>
Total liabilities	<u>5,092,568</u>	<u>5,680,198</u>	<u>(587,630)</u>
Deferred inflows	<u>232,202</u>	<u>423,074</u>	<u>(190,872)</u>
Net position (deficit):			
Net investment in capital assets	80,350	101,952	(21,602)
Restricted	83,415	74,743	8,672
Unrestricted (deficit)	<u>629,010</u>	<u>(601,964)</u>	<u>1,230,974</u>
	<u>\$ 792,775</u>	<u>\$ (425,269)</u>	<u>\$ 1,218,044</u>

CHANGE IN NET POSITION:

	2025	2024	Change
Revenues:			
Program revenues:			
Charges for services	\$ 3,683,956	\$ 3,155,279	\$ 528,677
Operating grants and contributions	2,097,301	2,299,035	(201,734)
General revenues:			
Taxes	260	462	(202)
State sources	468,007	460,206	7,801
County sources	220,284	208,911	11,373
Interest	<u>135,952</u>	<u>129,615</u>	<u>6,337</u>
Total revenues	<u>6,605,760</u>	<u>6,253,508</u>	<u>352,252</u>
Expenses:			
Instruction	3,872,361	3,848,346	24,015
Support services-students	1,481,416	1,503,273	(21,857)
Support services-instructional staff	79,496	133,204	(53,708)
Support services-general administration	230,932	240,735	(9,803)
Support services-school administration	176,769	188,146	(11,377)
Support services-business	210,818	121,738	89,080
Operation and maintenance	236,976	418,931	(181,955)
Student transportation	21,947	21,575	372
Food services	94,266	105,882	(11,616)
Interest	<u>17,010</u>	<u>56</u>	<u>16,954</u>
Total expenses	<u>6,421,991</u>	<u>6,581,886</u>	<u>(159,895)</u>
Change in net position	183,769	(328,378)	512,147
Net position (deficit), beginning	(425,269)	(96,891)	(328,378)
Prior period adjustment	<u>1,034,275</u>	<u>-</u>	<u>1,034,275</u>
Net position (deficit), ending	<u>\$ 792,775</u>	<u>\$ (425,269)</u>	<u>\$ 1,218,044</u>

SCHOOL DISTRICT NUMBER 58  
MANAGEMENT'S DISCUSSION & ANALYSIS

Total revenues increased \$352,252. Operating grants and contributions revenue decreased due to ESSER funding being fully exhausted and a reduction in the Title I Support grant. Charges for services revenue increased due to increased student counts and an increase in the daily tuition rate. Total expenses decreased \$159,895. The majority of the decrease is related to the reduction in grant expenses and the district not recording the total other postemployment benefits (OPEB) liability and related expense.

### FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the major (most significant) funds. To be reported as a major fund, total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures of an individual fund must be at least 10 percent of the corresponding element total for all funds. The General fund is always reported as a major fund.

Fund balance for the General fund increased \$6,262

Fund balance in the Miscellaneous Programs fund increased \$268,473. The increase occurred mainly due to the receipt of Medicaid CSCT revenues and tuition charges that were in excess of current year expenditures.

There were no General fund budget amendments and no significant budget variances for the General fund during the year.

### CAPITAL ASSET AND DEBT ADMINISTRATION

The district entered into a lease agreement for educational facilities with Yellowstone Boys and Girls Ranch during the year ended June 30, 2025. As a result, the district recorded a right to use asset in the amount of \$330,489 and a corresponding lease liability in the same amount. At June 30, 2025, the outstanding lease liability is \$226,850.

### THE GOVERNMENT'S FUTURE

The Yellowstone Academy works with YBGR to provide service to residential treatment and day school students. The tuition charges to YBGR are used to fund a critical number of services that Yellowstone Academy (the Academy) provides to the students in the program. The Academy reviews the staffing levels that can be provided with the projected revenues and makes adjustments accordingly. The Academy charges tuition to YBGR for residential students on a daily per student rate. These tuition charges assist in determining the budget for each school year. For 2024-25, this rate was raised from \$71 per day to \$88.26 per day. These daily charges help to ensure that the Academy can meet student educational needs. Current legislation requires OPI to determine actual costs and provide funding for those costs. For 2024-25 and 2023-24, tuition charges to YBGR amounted to \$1,654,166 and \$1,466,737, respectively. For the 2025-26 school year, YBGR will pay the Academy the actual enrollment count for that month at the rate of \$98.48 per day, rate negotiated between YBGR and the OPI. If average residential enrollment remains consistent (52 K-8 students and 112 9-12 students), then the Academy anticipates tuition revenue to increase approximately \$200,000 for the 2025-26 school year.

Day School enrollment is a critical part of funding for Yellowstone Academy. For school year 2024-25, the Day School averaged 59 students for grades K-8 and 31 students for grades 9-12. Tuition from Day School is collected in the following year so additional revenues from increased student enrollment would not be impacted until the 2025-26 school year. For school year 2025-26, the board increased the daily rate from \$120 per day to \$125 per day for high school students and \$115 to \$125 for elementary students, leading to a projected increase in revenues of \$155,000. The OPI limits the tuition charges allowed for elementary students, which is monitored annually. In order to maintain personnel and educational services at current levels, we need to have Day School enrollment remain in the 90 student range. If Day School enrollment declines, then services will need to be reevaluated. With average enrollment in Day School students and the daily tuition charges from YBGR, Yellowstone Academy has increased its revenue position significantly.

The third main revenue source of the Academy is Medicaid billing. In 2024-25 and 2023-24, these charges amounted to \$1,350,228 and \$1,253,439, respectively. Due to the importance of this revenue stream and the volatility of Medicaid eligibility from year to year, Yellowstone Academy will continue to closely monitor Medicaid activity.

For the past ten years, the Academy had an agreement with the Billings Clinic to educate all students admitted at the Billings clinic Psychiatric Center. In 2024-2025, this contract accounted for \$180,748 in revenue and \$232,274 in associated expenses consisting of one full time teacher and two full time paraprofessionals, along with multiple hours of administrative time at the Academy. With that in mind, the Academy opted to discontinue their contract with the Billings Clinic as of June 5, 2025. As such, the one teacher and one paraprofessional chose to leave the Academy in order to continue with Billings Clinic.

Staffing remains consistent for the Academy for the 2025-26 school year. For school years 2021-2024, the Academy received approximately \$1.5 million dollars in federal ESSER funding, resulting in the addition of approximately 8 FTE, approximately \$500,000 annual cost, as a result of this funding and continued to employ them through the 2024-25 school year. In addition, the Academy staff received a significant pay increase for the 2025-26 school year. To maintain similar staffing levels past the 2025-26 school year, the Academy will need to monitor expenses compared to revenues more closely from year to year. Current projections show that the Academy will not be able to sustain current staffing without increased revenue sources. Early projections forecast that the Academy will need to use reserves of \$425,000 in the 2025-26 school year to fund operations. The Academy will need to determine on an annual basis what an adequate cash reserve is going forward and to what extent to use reserves to in order to maintain operations.

SCHOOL DISTRICT NUMBER 58  
STATEMENT OF NET POSITION  
June 30, 2025

<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,707,642
Receivables:	
Governments	2,097,024
Capital assets:	
Capital assets, net of accumulated depreciation/amortization	<u>307,200</u>
Total assets	<u>5,111,866</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension plans	<u>1,005,679</u>
 <b>LIABILITIES</b>	
Accounts payable	11,246
Long-term liabilities:	
Due within one year:	
Compensated absences	254,381
Lease payable	110,032
Due in more than one year:	
Compensated absences	98,939
Net pension liability	4,501,152
Lease payable	<u>116,818</u>
Total liabilities	<u>5,092,568</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension plans	<u>232,202</u>
 <b>NET POSITION</b>	
Net investment in capital assets	80,350
Restricted for:	
Instruction	82,832
Support services:	
General administration	583
Unrestricted	<u>629,010</u>
Total net position	<u><u>\$ 792,775</u></u>

SCHOOL DISTRICT NUMBER 58  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Instruction	\$ 3,872,361	\$ 2,657,325	\$ 626,825	\$ (588,211)
Support services:				
Students	1,481,416	270,715	1,406,763	196,062
Instructional staff	79,496	74,724	1,812	(2,960)
General administration	230,932	123,659	12,289	(94,984)
School administration	176,769	158,217	13,522	(5,030)
Business services	210,818	185,020	14,381	(11,417)
Operation and maintenance	236,976	125,412	10,844	(100,720)
Student transportation	21,947	-	-	(21,947)
Food services	94,266	88,884	10,865	5,483
Interest	17,010	-	-	(17,010)
<b>Total</b>	<b>\$ 6,421,991</b>	<b>\$ 3,683,956</b>	<b>\$ 2,097,301</b>	<b>(640,734)</b>
General revenues:				
				260
Property taxes				
Intergovernmental:				
				466,128
State aid				
				1,879
State other				
				220,284
County				
				135,952
Interest				
				<u>824,503</u>
Total general revenues				
				183,769
Change in net position				
				(425,269)
Net position (deficit) - beginning				
				<u>1,034,275</u>
Prior period adjustment				
				<u>\$ 792,775</u>
Net position - ending				

SCHOOL DISTRICT NUMBER 58  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2025

	General	Miscellaneous Programs	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 55,472	\$ 2,568,745	\$ 83,425	\$ 2,707,642
Receivables:				
Governments	-	2,097,024	-	2,097,024
<b>Total assets</b>	<b>\$ 55,472</b>	<b>\$ 4,665,769</b>	<b>\$ 83,425</b>	<b>\$ 4,804,666</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 919	\$ 10,327	-	\$ 11,246
<b>FUND BALANCES</b>				
Restricted:				
Instruction	-	-	82,832	82,832
Support services:				
General administration	-	-	583	583
Committed:				
Instruction	-	4,655,442	10	4,655,452
Unassigned	54,553	-	-	54,553
<b>Total fund balances</b>	<b>54,553</b>	<b>4,655,442</b>	<b>83,425</b>	<b>4,793,420</b>
<b>Total liabilities and fund balances</b>	<b>\$ 55,472</b>	<b>\$ 4,665,769</b>	<b>\$ 83,425</b>	<b>\$ 4,804,666</b>

SCHOOL DISTRICT NUMBER 58  
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
 June 30, 2025

Total fund balances, governmental funds	\$ 4,793,420
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.</p>	307,200
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:</p>	
Deferred outflows of resources related to pensions	1,005,679
Deferred inflows of resources related to pensions	(232,202)
<p>Some liabilities (such as compensated absences, the net pension liability, and lease payable) are not due and payable in the current period and, therefore, are not reported in the funds.</p>	<u>(5,081,322)</u>
Net position of governmental activities	<u><u>\$ 792,775</u></u>

SCHOOL DISTRICT NUMBER 58  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2025

	General	Miscellaneous Programs	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 385	\$ -	\$ -	\$ 385
Intergovernmental:				
County	-	-	220,284	220,284
State aid	466,128	-	-	466,128
State other	238,532	1,356,634	535	1,595,701
Federal	-	219,420	-	219,420
Tuition	152,614	3,531,342	-	3,683,956
Interest	2,455	133,497	-	135,952
Miscellaneous	-	284,059	-	284,059
<b>Total revenues</b>	<b>860,114</b>	<b>5,524,952</b>	<b>220,819</b>	<b>6,605,885</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	731,248	2,895,358	186,904	3,813,510
Support services:				
Students	31,687	1,430,692	-	1,462,379
Instructional staff	1,812	80,388	3,318	85,518
General administration	84,335	132,205	10,879	227,419
School administration	2,773	169,379	7,000	179,152
Business services	1,627	198,177	3,100	202,904
Operation and maintenance	370	135,365	946	136,681
Food services	-	94,266	-	94,266
Capital outlay	-	330,489	-	330,489
Debt service:				
Principal	-	103,639	-	103,639
Interest and other charges	-	17,010	-	17,010
<b>Total expenditures</b>	<b>853,852</b>	<b>5,586,968</b>	<b>212,147</b>	<b>6,652,967</b>
Excess (deficiency) of revenues over expenditures	6,262	(62,016)	8,672	(47,082)
<b>OTHER FINANCING SOURCES</b>				
Capital lease	-	330,489	-	330,489
<b>Total other financing sources</b>	<b>-</b>	<b>330,489</b>	<b>-</b>	<b>330,489</b>
<b>Net change in fund balances</b>	<b>6,262</b>	<b>268,473</b>	<b>8,672</b>	<b>283,407</b>
Fund balances - beginning	48,291	4,386,969	74,753	4,510,013
<b>Fund balances - ending</b>	<b>\$ 54,553</b>	<b>\$ 4,655,442</b>	<b>\$ 83,425</b>	<b>\$ 4,793,420</b>

SCHOOL DISTRICT NUMBER 58  
 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:	\$ 283,407
Amounts reported for governmental activities in the statement of activities are different because:	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
This is the amount by which capital outlay (\$330,489) exceeded depreciation (\$125,241) in the current period.	205,248
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	(125)
<p>Governmental funds report debt proceeds as other financing sources and repayment of debt principal as expenditures. In contrast, the statement of activities treats such proceeds as an increase in long-term liabilities and debt principal repayments as a reduction in long-term liabilities. The following debt activity occurred during the year:</p>	
Capital lease	(330,489)
Lease principal payments	103,639
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense.	(56,504)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>	
Compensated absences	<u>(21,407)</u>
Change in net position of governmental activities	<u><u>\$ 183,769</u></u>

SCHOOL DISTRICT NUMBER 58  
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Effective for the fiscal year ended June 30, 2025, the government adopted the provisions of the following GASB statements:

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating how governments recognize and measure liabilities for unused employee leave.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities arising from concentrations and constraints that could significantly impact financial position or operations.

The government's significant accounting policies are described below.

Reporting Entity

The government was established under Montana law to provide educational services below the college and university level to residents of the district. The government consists of a kindergarten through eighth grade district which is managed by a central Board of Trustees, elected in a district wide election and by a central administration appointed by and responsible to the Board.

The County provides substantial services to the government; tax billing, cash collections, debt payments and warrant redemption. The County also maintains the government's cash and invests available funds at the direction of the government. The County Commissioners have a legal obligation to set levy amounts and to approve the budget adopted by the government. However, despite the degree of services provided, the government does not qualify as a component unit of the County.

These financial statements present, as a single reporting entity, all activities of the primary government. A primary government is defined as having a separately elected governing body, being legally separate, and fiscally independent.

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 nonfiduciary activities of the government. While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities incorporate data from governmental funds. Separate financial statements are provided for governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide 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 are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges for services which report fees and other charges provided by a given function or identifiable activity 2) operating grants and contributions and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major funds. Major individual funds are reported in separate columns in the fund financial statements. All remaining funds are aggregated and reported as nonmajor funds.

The government reports the following major governmental funds:

The general fund is used to account for all financial resources, except those required by law or administrative action to be accounted for in another fund. The general fund is always reported as a major fund in the governmental fund statements.

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for specific purposes other than debt service or capital projects. The following special revenue fund is reported as major.

The miscellaneous programs fund accounts for federal, state and local grants, charges for services, and reimbursements. Donations that allow the expenditure of both principal and interest for support of district programs are also deposited in this fund.

SCHOOL DISTRICT NUMBER 58  
NOTES TO BASIC FINANCIAL STATEMENTS

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

The 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 have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

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

Cash and Investments

Cash and investments are held by the Yellowstone County Treasurer. The Yellowstone County Treasurer invests the District's cash at the direction of the government as required by state statute. Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is an investment program managed and administered under the direction of the Montana Board of Investments (MBOI) as authorized by the Unified Investment Program. The STIP portfolio is reported at fair value basis versus amortized cost.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. The government had no nonrecurring fair value measurements. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

Receivables

Most property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed as of November 1 and are payable in two payments, November 30 and May 31. Unpaid taxes become delinquent on December 1 and June 1. Most personal property taxes are due and payable on January 1 and become delinquent February 1. Property taxes are maintained and collected by the Yellowstone County Treasurer. No allowance is made for uncollectible taxes as they are not considered significant.

SCHOOL DISTRICT NUMBER 58  
NOTES TO BASIC FINANCIAL STATEMENTS

Inventories

Inventories items purchased are recorded as expenditures/expenses at the time of purchase. Inventory at year end was not material and, therefore, is not recorded.

Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

As the government constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed below under the Leases section). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. Property, plant, equipment, and infrastructure of the government are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Building and improvements	15-50
Machinery and equipment	5-20
Right to use leased property	2-25

Lease and subscription-based information technology arrangements assets are amortized over the life of the associated contracts.

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. These conditions are the collections are held for public exhibition or education in the furtherance of public service, not held for financial gain; the collections are protected, kept unencumbered, cared for, and preserved; and any sale proceeds are expected to be used to acquire other items for the collections.

Compensated Absences

At fiscal year-end, the government recognized a liability for compensated absences totaling \$353,320, representing leave earned but not yet used that is more likely than not to be paid or settled. This includes vacation, sick leave, and other paid time off that meets the recognition criteria under GASB Statement No. 101. The liability is measured using employees' pay rates as of the financial statement date and is reported in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The government excludes leave types such as parental, military, and jury duty leave until the leave commences, in accordance with GASB 101 guidance. The government continues to monitor and evaluate its leave policies to ensure compliance with GASB 101 and to reflect any changes in employee behavior or policy that may affect future liabilities.

Classified employees (non-teaching) earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Accumulated vacation is restricted under state statute to a maximum accumulation of two times the amount earned annually. Vacation leave is absorbed by time off from work, or, with certain limitations, may be payable to the employee upon termination.

Sick leave is accumulated for classified employees at the rate of 12 days per year with no limit on the carry over amount. Upon retirement or resignation, classified employees are eligible for sick leave compensation at one fourth of the accumulated amount.

Discretionary leave for certified personnel (teachers) is awarded at 13 days per year up to a cumulative maximum of 80 days. Upon retirement, resignation, reduction in force or death, certified employees who have served at least (4) years in the district are eligible for a cash payment equaling one quarter (1/4) of the accumulated amount.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

SCHOOL DISTRICT NUMBER 58  
NOTES TO BASIC FINANCIAL STATEMENTS

Deferred Outflows/Inflows of Resources

In addition to assets, the government's statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period and so will not be recognized as an expense until then. The government has one item that qualifies for reporting in this category: pension plans.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The government has one item that qualifies for reporting in this category: pension plans.

Net Position

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." Governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.
- Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- Committed fund balance represents amounts that can be used only for the specific purposes determined by the adoption of a resolution committing fund balance for a specified purpose by the governing board prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until the resources have been spent for the specified purpose or the governing board adopts another resolution to remove or revise the limitation.
- Assigned fund balance represents amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the district clerk to assign fund balance. The governing board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

SCHOOL DISTRICT NUMBER 58  
NOTES TO BASIC FINANCIAL STATEMENTS

As previously mentioned, sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Leases

As a lessee, the government recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The government recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, the government initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the government determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The government uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the government generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the government is reasonably certain to exercise.

The government monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

As a lessor, the government recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the government initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the government determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The government uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The government monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Use of Estimates

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

NOTE 2. DETAILED NOTES ON ALL FUNDS

Equity in Pooled Cash and Investments

As discussed in Note 1, the government's cash and investments are held by the Yellowstone County Treasurer. The government directs the investment of money pursuant to the provisions of state statute.

SCHOOL DISTRICT NUMBER 58  
NOTES TO BASIC FINANCIAL STATEMENTS

Montana law allows the local governing body to require security for the portion of deposits not guaranteed or insured. Deposit insurance is administered by the FDIC. The Yellowstone County Treasurer has the fiduciary responsibility to ensure that adequate collateral is pledged for all investments that are not fully covered by Federal Deposit Insurance. Montana code allows the Yellowstone County Treasurer to take collateral up to 50% of deposits if the institution in which the deposit is made has a net worth to total assets ratio of 6% or more and 100% if the ratio is less than 6%. Risk in the event of loss is unclear in state law, but may be the liability of the County government. Fair value, custodial credit risk, interest rate risk and concentration of credit risk classifications of the government's deposits and pooled investments can be obtained from the Yellowstone County Treasurer.

Capital Assets

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

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Capital assets, being depreciated				
Buildings/improvements	\$ 95,361	\$ -	\$ -	\$ 95,361
Machinery and equipment	113,247	-	-	113,247
Right-to-use leased equipment	51,444	330,489	(51,444)	330,489
Total capital assets, being depreciated	<u>260,052</u>	<u>330,489</u>	<u>(51,444)</u>	<u>539,097</u>
Less accumulated depreciation for:				
Buildings/improvements	(26,303)	(7,415)	-	(33,718)
Machinery and equipment	(80,353)	(7,663)	-	(88,016)
Right-to-use leased equipment	(51,444)	(110,163)	51,444	(110,163)
Total accumulated depreciation	<u>(158,100)</u>	<u>(125,241)</u>	<u>51,444</u>	<u>(231,897)</u>
Total capital assets, being depreciated, net	<u>\$ 101,952</u>	<u>\$ 205,248</u>	<u>\$ -</u>	<u>\$ 307,200</u>

Depreciation/amortization expense was charged to functions of the governmental activities as follows:

Instruction	\$ 114,049
Support services-business	253
Operation and maintenance	7,710
Student transportation	3,229
	<u>\$ 125,241</u>

Leases

*Government as Lessee*

The government, as a lessee, has entered into a lease agreement with Yellowstone Boys and Girls Ranch, a related party, involving space for instructional facilities on the Yellowstone Boys and Girls Ranch campus. The terms and conditions of this lease are consistent with those of other lease agreements. The total cost of the government's leased asset is recorded as \$330,489, less accumulated amortization of \$110,163. Future lease payments under lease agreements are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 110,032	\$ 10,618	\$ 120,650
2027	116,818	3,831	120,649
	<u>\$ 226,850</u>	<u>\$ 14,449</u>	<u>\$ 241,299</u>

SCHOOL DISTRICT NUMBER 58  
NOTES TO BASIC FINANCIAL STATEMENTS

Long-Term Debt

Long-term liability activity for the year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Restatements	Additions	Retirements	Balance June 30, 2025	Due Within One Year
Leases	-	-	330,489	(103,639)	226,850	110,032
Compensated absences	192,482	139,431	21,407	-	353,320	254,381
<b>Total long-term liabilities</b>	<b>\$ 192,482</b>	<b>\$ 139,431</b>	<b>\$ 351,896</b>	<b>\$ (103,639)</b>	<b>\$ 580,170</b>	<b>\$ 364,413</b>

In accordance with GASB Statement No. 101, the change in the compensated absences liability presented above is a net increase.

Lease payments are generally liquidated by the miscellaneous programs fund and compensated absences are generally liquidated by the general or miscellaneous programs funds.

Restatement of Beginning Net Position

In fiscal year 2025, the government adopted the provisions of GASB Statement No. 101, Compensated Absences, which is effective for fiscal years beginning after December 15, 2023. The adoption of Statement No. 101 represents a change in accounting principles under GASB Statement No. 100, Accounting Changes and Error Corrections, and was applied retrospectively to all periods presented in the financial statements, resulting in a restatement of beginning net position. The effect of adopting the provisions of GASB Statement No. 101 are shown in column A of the table below.

Effective for the fiscal year ended June 30, 2025, the government discontinued accounting for its total other postemployment benefits (OPEB) plan under GASB Statement No. 75. This change was made because the government does not believe it is cost beneficial to continue reporting it. As a result, the previously reported OPEB liability has been removed from the financial statements. The effect of this change on beginning net position of the governmental activities is shown in column B of the table below.

	June 30, 2024 As Previously Reported	Implementation of GASBs No. 101 (A)	Discontinue GASBs No. 75 Reporting (B)	June 30, 2024 As Restated
Governmental Activities	<u>\$ (425,269)</u>	<u>\$ (139,431)</u>	<u>\$ 1,173,706</u>	<u>\$ 609,006</u>

NOTE 3. OTHER INFORMATION

Certain Risk Disclosures

The government is subject to Section 20-9-326, MCA, which sets each district's maximum general fund budget, annual inflation-related adjustments to basic entitlements and per-ANB entitlements. For fiscal years 2025 and 2026, the inflation-based increase was set to zero, meaning districts may not inflate their prior-year budgets for CPI-type growth. Because budget capacity can only grow by the base adjustment and ANB change, property-tax revenue is likewise constrained. Additionally, because the FY 2025 and FY 2026 base-budget factor is zero, a district with flat enrollment can only carry forward its prior-year budget. Any new spending must be covered by enrollment-driven capacity or through special appropriations (e.g., voter-approved levies, fundraising or supplemental state and federal grants). Further, the per ANB funding rate for fiscal year 2025 only increased over the prior year by \$174, or 2.6 percent. The per ANB funding rate increase for fiscal year 2026 is even lower at \$45, or less than 1 percent. These inflationary restrictions create vulnerability to service-level shortfalls. Such a constraint is known to the government prior to financial statement issuance, and the event of escalating expenditures outpacing allowable revenue growth is more likely than not to occur within 12 months of the issuance date. No mitigation actions have been taken as of February 27, 2026.

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A variety of methods is used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for theft, damage or destruction of assets, professional liabilities and employee medical costs. The government participates in the Montana State Fund, a state-wide public risk pool currently operating as a common risk management and insurance program for the member school districts. The government pays quarterly premiums for its employee injury insurance coverage. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no

SCHOOL DISTRICT NUMBER 58  
NOTES TO BASIC FINANCIAL STATEMENTS

deductibles or maximum coverage limits in the plan. Given lack of coverage available, the government has no coverage for potential losses from environmental damages. Coverage limits and the deductibles on the commercial policies have remained relatively constant for the last several years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### Economic Dependency

The district received \$1,682,889 in tuition and education fees from Yellowstone Boys and Girls Ranch in fiscal year 2025. This represents approximately 35 percent of the district's non-grant revenues. These funds are essential for the district to continue to meet its contractual obligations. A significant decrease or elimination of these funds could impair the district's operations.

#### Related Party Transactions

The district and Yellowstone Boys and Girls Ranch (a related party) have informally agreed to contract for residential student educational services. Despite not having a formal agreement for these services, Yellowstone Boys and Girls Ranch did provide \$1,654,166 in education fees during the year ended June 30, 2025. Conversely, the district paid Yellowstone Boys and Girls Ranch \$120,649 on a lease agreement to rent educational facilities the district operates from and \$266,532 for operational costs including utilities and IT services.

#### Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, 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 government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

#### Retirement Plans

##### Plan Descriptions

The 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 system and the TRS staff administers the system in conformity with the laws set forth in Title 19, chapter 20 of the Montana Code Annotated (MCA), 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 web site at [trs.mt.gov](http://trs.mt.gov).

The Public Employees' Retirement System (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 and 3, MCA. The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. 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 participants of both the defined benefit and defined contribution retirement plans. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service. 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 PERS web site at [mpera.mt.gov](http://mpera.mt.gov).

#### Pension Benefits

##### Teachers' Retirement System

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. Average 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

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NOTES TO BASIC FINANCIAL STATEMENTS

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).
- 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).
- Tier Two provides for an enhanced benefit calculation -  $1.85\% \times \text{AFC} \times \text{years of creditable service}$  - for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than  $1.6667 \times \text{AFC} \times \text{years of creditable service}$ ).

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.

#### Public Employees' Retirement System

Plan members hired prior to July 1, 2011 are eligible to retire at age 60 with 5 years of membership service, age 65 regardless of years of membership service or any age with 30 years of membership service. Benefits are calculated as follows: 1). if less than 25 years of membership service, 1.785% of the member's highest average compensation (HAC) multiplied by years of service credit or 2). if 25 years of membership service or more, 2% of HAC multiplied by years of service credit.

Plan members hired on or after July 1, 2011 are eligible to retire at age 65 with 5 years of membership service or age 70 regardless of years of membership service. Benefits are calculated as follows: 1). if less than 10 years of membership service, 1.5% of the member's HAC multiplied by years of service credit, 2). if between 10 and 30 years of membership service, 1.785% of HAC multiplied by years of service credit, or 3). if 30 years of membership service or more, 2% of HAC multiplied by years of service credit.

Plan members hired prior to July 1, 2011 are eligible for early retirement at age 50 with 5 years of membership service or any age with 25 years of membership service. Plan members hired on or after July 1, 2011 are eligible for early retirement at age 55 with 5 years of membership service. Benefits are actuarially reduced.

Second retirement applies to plan members re-employed in a PERS position after retirement. Plan members who retire before January 1, 2016 and accumulate less than 2 years' additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit receive a refund of the plan member's contributions from the second employment plus regular interest at 2.02%. Plan members who retire before January 1, 2016 and accumulate at least 2 years of additional service credit receive a recalculated retirement benefit based on the laws in effect at second retirement. Plan members who retire on or after January 1, 2016 and accumulate 5 or more years of additional service credit receive the same retirement benefit as prior to their return to service and a second retirement benefit for the second period of service based on the laws in effect at second retirement.

For members who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to 1). 3% for members hired prior to July 1, 2007, 2). 1.5% for members hired between July 1, 2007 and June 30, 2013 or, 3). 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 .1% for each 2% PERS is funded below 90%; and c). 0% whenever the amortization period for PERS is 40 years or more.

#### Member and Employer Contributions

##### Teachers' Retirement System

The TRS funding policy provides for monthly employee and employer contributions at rates specified by state law. Plan members, for the fiscal year ending June 30, 2025, were required to contribute 8.15% of their earned compensation. TRS employers were required to contribute 9.47% of earned compensation. The State's General fund contributes an additional 2.49% of earned compensation. Finally, the State is also required to contribute \$25 million in perpetuity payable July 1st of each year.

##### Public Employees' Retirement System

All members contribute 7.9% of their compensation. Interest is credited to member accounts at the rates determined by the Board. All member contributions will be decreased to 6.9% on January 1 following the actuary valuation results that project the amortization period to drop below 25 years.

Employers contributed 8.8% of each member's compensation. This was temporarily increased from 6.8% on July 1, 2013. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The additional employer contributions terminate on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates. The State's General fund contributes an additional .37% of earned compensation. Beginning July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

##### Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2025, the government recorded a liability of \$4,319,686 (TRS) and \$181,466 (PERS) for its proportionate share of the net

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pension liability.

TRS and PERS have a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS and PERS on behalf of the government. Due to the existence of this special funding situation, the government is required to report the portion of the State of Montana's proportionate share of the collective net pension liability. The government's and State of Montana's proportionate share of the net pension liability are presented below:

	Net Pension Liability June 30, 2025	
	TRS	PERS
Employer proportionate share	\$ 4,319,686	\$ 181,466
State of Montana proportionate share associated with employer	2,291,274	52,030
Total	\$ 6,610,960	\$ 233,496

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 for TRS and June 30, 2024 for PERS. The government's proportion of the net pension liability was based on the government's contributions received by TRS and PERS during the measurement period July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all TRS and PERS participating employers. At June 30, 2025, the government's proportion was .2305 and .0074 percent for TRS and PERS, respectively.

For the year ended June 30, 2025, the government recognized \$422,599 (TRS) and \$15,423 (PERS) for its proportionate share of the pension expense. The government also recognized grant revenue of \$123,247 (TRS) and \$2,788 (PERS) for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the government. Total pension expense recognized was \$545,846 and \$18,211 for TRS and PERS, respectively.

At June 30, 2025, the government reported its proportionate share of TRS and PERS deferred outflows and inflows of resources from the following sources:

	TRS		PERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 109,286	\$ -	\$ 9,170	\$ -
Changes in actuarial assumptions	-	143,582	-	-
Difference between projected and actual investment earnings	-	83,360	-	4,035
Changes in proportion and differences between actual and expected contributions	505,705	-	-	1,225
Employer contributions subsequent to measurement date	362,976	-	18,542	-
	\$ 977,967	\$ 226,942	\$ 27,712	\$ 5,260

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NOTES TO BASIC FINANCIAL STATEMENTS

Amounts reported as deferred outflows of resources related to pensions resulting from the government's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2026. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	TRS	PERS
2026	\$ (60,098)	\$ (5,437)
2027	370,861	13,922
2028	80,207	(2,837)
2029	(2,921)	(1,738)

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	TRS	PERS
Investment rate of return, net of investment and administrative expenses	7.30%	7.30%
Salary increases	3.50%	3.50%
Inflation	2.75%	2.75%

Mortality rates for the TRS retirement plan were based on the PUBT-2010 general employee mortality projected to 2021 and projected generationally using MP-2021. Mortality rates for the PERS retirement plan is based on the PUB-2010 general amount weighted employer mortality projected to 2021 for males and females and projected generationally using MP-2021.

The long-term expected rate of return on pension plan investments for both TRS and PERS is reviewed as part of regular experience studies prepared for the plan about every five years. The 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. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, are summarized in the following table.

Asset Class	TRS and PERS	
	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash	3.0%	-0.33%
Domestic equity	30.0%	5.90%
International equity	17.0%	7.14%
Real assets	5.0%	4.03%
Core fixed income	15.0%	1.14%
Private investments	15.0%	9.13%
Real estate	9.0%	5.41%
Non-core fixed income	6.0%	3.02%
	100.0%	

SCHOOL DISTRICT NUMBER 58  
NOTES TO BASIC FINANCIAL STATEMENTS

Discount Rate

Teachers' Retirement System

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 TRS payable July 1st of each year. Based on those assumptions, the TRS' fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2134. 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.

Public Employees' Retirement System

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 nonemployer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes a statutory appropriation from the general fund. Based on those assumptions, the PERS' fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2128. 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. A municipal bond rate was not incorporated in the discount rate.

Sensitivity Analysis

The following presents the employer's proportionate share of the TRS and PERS 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.

	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
Net pension liability-TRS	\$ 6,208,456	\$ 4,319,686	\$ 2,741,601
Net pension liability-PERS	264,538	181,466	111,806

PERS Disclosure for the Defined Contribution Plan

The government 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 351 employers that have participants in the PERS-DCRP totaled \$1,345,278.

Future Implementation of GASB Pronouncements

GASB Statement No. 103, *Financial Reporting Model Improvements*. 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. Statement 103 is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

SCHOOL DISTRICT NUMBER 58  
NOTES TO BASIC FINANCIAL STATEMENTS

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires: (1) certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34, (2) intangible assets to be disclosed separately by major class and, (3) requires additional disclosures for capital assets held for sale. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT NUMBER 58  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
<b>REVENUES</b>					
Property taxes	\$ 386	\$ 386	\$ 385	\$ -	\$ 385
Intergovernmental:					
State aid	466,128	466,128	466,128	-	466,128
State other	112,497	112,497	112,497	126,035	238,532
Tuition	152,614	152,614	152,614	-	152,614
Interest	1,093	1,093	2,455	-	2,455
<b>Total revenues</b>	<b>732,718</b>	<b>732,718</b>	<b>734,079</b>	<b>126,035</b>	<b>860,114</b>
<b>EXPENDITURES</b>					
Total expenditures	732,718	732,718	727,817	126,035	853,852
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>6,262</b>	<b>-</b>	<b>6,262</b>
Fund balances - beginning			48,291	-	48,291
Fund balances - ending			<b>\$ 54,553</b>	<b>\$ -</b>	<b>\$ 54,553</b>

**NOTES TO THE BUDGET AND ACTUAL SCHEDULES**

State law requires budgets be prepared for certain funds - generally those supported by property tax revenues. Budgets are prepared on the modified accrual basis. State law requires only that a fund's total expenditures not exceed total budgeted expenditures. Budgets may be amended as defined by State law. There were no general fund budget amendments during the year.

The general fund budget is based on the State of Montana's foundation program which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. The Board of Trustees approves the original budget not later than August 25th.

State law permits the inclusion of obligations (encumbrances) for construction in progress and the purchase of personal property as expenditures for budget purposes. The budget to GAAP differences above consist of the state of Montana on-behalf retirement payment.

Budgetary information is not presented for the Miscellaneous Programs fund as it is a non-budgeted special revenue fund and as such is not required to be presented.

SCHOOL DISTRICT NUMBER 58  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' RETIREMENT AND PUBLIC EMPLOYEES' SYSTEMS OF MONTANA

<b>Teachers' Retirement System</b>								
Year Ending June 30,	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability associated with the employer	State of Montana's proportionate share of the net pension liability associated with the employer	Total	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability	
2025	0.2305%	\$ 4,319,686	\$ 2,291,274	\$ 6,610,960	\$ 3,464,191	124.70%	73.33%	
2024	0.2194%	4,250,833	2,296,871	6,547,704	3,263,009	130.27%	71.75%	
2023	0.1907%	3,751,592	2,070,745	5,822,337	2,799,924	133.99%	70.61%	
2022	0.1739%	2,881,225	1,643,455	4,524,680	2,477,299	116.31%	75.54%	
2021	0.1821%	4,096,065	2,420,850	6,516,915	2,505,986	163.45%	64.95%	
2020	0.1706%	3,290,572	1,993,299	5,283,871	2,316,498	142.05%	68.64%	
2019	0.1597%	2,964,817	1,846,346	4,811,163	2,133,564	138.96%	69.09%	
2018	0.1456%	2,454,675	1,558,326	4,013,001	1,920,217	127.83%	70.09%	
2017	0.1272%	2,322,929	1,516,624	3,839,553	1,650,519	140.74%	66.69%	
2016	0.1169%	1,921,389	1,293,584	3,214,973	1,492,604	128.73%	69.30%	

<b>Public Employees' Retirement System</b>								
Year Ending June 30,	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability associated with the employer	State of Montana's proportionate share of the net pension liability associated with the employer	Total	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability	
2025	0.0074%	\$ 181,466	\$ 52,030	\$ 233,496	\$ 149,231	121.60%	74.77%	
2024	0.0072%	175,087	53,114	228,201	136,930	127.87%	73.93%	
2023	0.0078%	186,258	60,736	246,994	141,377	131.75%	73.66%	
2022	0.0067%	120,574	38,894	159,468	120,590	99.99%	79.91%	
2021	0.0064%	167,540	57,553	225,093	109,975	152.34%	68.90%	
2020	0.0069%	144,137	51,110	195,247	117,475	122.70%	73.85%	
2019	0.0062%	138,102	50,645	188,747	112,400	122.87%	73.47%	
2018	0.0091%	177,123	8,092	185,215	116,577	151.94%	73.75%	
2017	0.0106%	179,989	8,412	188,401	130,844	137.56%	74.71%	
2016	0.0108%	150,330	7,064	157,394	129,760	115.85%	78.40%	

SCHOOL DISTRICT NUMBER 58  
SCHEDULE OF CONTRIBUTIONS  
TEACHERS' RETIREMENT AND PUBLIC EMPLOYEES' SYSTEMS OF MONTANA

<b>Teachers' Retirement System</b>						
Year Ending June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of covered payroll	
2025	\$ 362,976	\$ 362,976	\$ -	\$ 3,832,902	9.47%	
2024	328,269	328,269	-	3,464,191	9.48%	
2023	305,744	305,744	-	3,263,009	9.37%	
2022	262,242	262,242	-	2,799,924	9.37%	
2021	227,168	227,168	-	2,477,299	9.17%	
2020	231,820	231,820	-	2,505,986	9.25%	
2019	253,623	253,623	-	2,316,498	10.95%	
2018	191,007	191,007	-	2,133,564	8.95%	
2017	175,197	175,197	-	1,920,217	9.12%	
2016	144,024	144,024	-	1,650,519	8.73%	

<b>Public Employees' Retirement System</b>						
Year Ending June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of covered payroll	
2025	\$ 18,542	\$ 18,542	\$ -	\$ 210,709	8.80%	
2024	13,246	13,246	-	149,231	8.88%	
2023	12,065	12,065	-	136,930	8.81%	
2022	12,243	12,243	-	141,377	8.66%	
2021	10,409	10,409	-	120,590	8.63%	
2020	9,335	9,335	-	109,975	8.49%	
2019	9,785	9,785	-	117,475	8.33%	
2018	9,217	9,217	-	112,400	8.20%	
2017	9,443	9,443	-	116,577	8.10%	
2016	10,580	10,580	-	130,844	8.09%	

SCHOOL DISTRICT NUMBER 58  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION  
For the Year Ended June 30, 2025

**Teachers' 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 7.50% to 7.34%.
- The inflation rate was reduced from 2.5% to 2.4%.

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.

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

SCHOOL DISTRICT NUMBER 58  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION  
For the Year Ended June 30, 2025

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.

### **Public Employees' Retirement System**

#### **Changes of Benefit Terms:**

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

2017:

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:

- Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 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.
- Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Lump-sum Payouts:

- Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate rather 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.

SCHOOL DISTRICT NUMBER 58  
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:**

	TRS	PERS
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of pay, open	Level percentage of pay, open
Remaining amortization period	24 years	30 years
Asset valuation method	4 year smoothed market	4 year smoothed market
Inflation	2.75%	2.75%
Salary increases	3.50%	3.50%
Investment rate of return	7.30%, net of pension plan investment expense and including inflation	7.30%, net of pension plan investment expense and including inflation

OTHER SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT NUMBER 58  
 SCHEDULE OF SCHOOL DISTRICT ENROLLMENT  
 For the Year Ended June 30, 2025

GRADES K-8: FULL-TIME STUDENTS	MAEFAIRS Reports	District Reports	Difference
<b>FALL ENROLLMENT</b>			
Kindergarten-half day	-	-	-
Kindergarten-full day	-	-	-
Grades 1-6	36	36	-
Grades 7-8	16	16	-
<b>SPRING ENROLLMENT</b>			
Kindergarten-half day	-	-	-
Kindergarten-full day	-	-	-
Grades 1-6	40	40	-
Grades 7-8	17	17	-

GRADES K-8: PART-TIME STUDENTS	MAEFAIRS Reports				District Reports				Difference
	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
<b>FALL ENROLLMENT</b>									
Kindergarten-half day	-	-	-	-	-	-	-	-	-
Kindergarten-full day	-	-	-	-	-	-	-	-	-
Grades 1-6	-	-	-	-	-	-	-	-	-
Grades 7-8	-	-	-	-	-	-	-	-	-
<b>SPRING ENROLLMENT</b>									
Kindergarten-half day	-	-	-	-	-	-	-	-	-
Kindergarten-full day	-	-	-	-	-	-	-	-	-
Grades 1-6	-	-	-	-	-	-	-	-	-
Grades 7-8	-	-	-	-	-	-	-	-	-

# OLNESS & ASSOCIATES, P. C.

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

To the Board of Trustees  
School District Number 58  
Billings, Montana

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of School District Number 58, Billings, Montana (the government) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated February 27, 2026. The report included an explanatory paragraph to describe changes in accounting principles. Also, the report on the governmental activities was qualified because the government has not recorded the total other postemployment benefits (OPEB) liability and related expense as of and for the year ended June 30, 2025.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the government'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 government's internal control. Accordingly, we do not express an opinion on the effectiveness of the government'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 a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2025-001 through 2025-003 that we consider to be material weaknesses.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government'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*.

### The Government's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the government's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The government's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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* (CONTINUED)

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*O'Neal & Associates, PC*

Billings, Montana  
February 27, 2026

SCHOOL DISTRICT NUMBER 58  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2025

2025-001. SEGREGATION OF DUTIES

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among personnel.

Cause: There are a limited number of personnel for certain functions.

Effect: Transactions could be mishandled.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls. An example of this would include independent review and approval of all journal vouchers by the Superintendent or Board of Trustees.

Management's response: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The Board of Trustees will continue to be involved in providing some of these controls.

2025-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Criteria: As part of its internal control structure, it is the government's responsibility to prepare its financial statements in accordance with generally accepted accounting principles (GAAP).

Condition: The government does not prepare its own financial statements in accordance with generally accepted accounting principles (GAAP). The government uses the auditor to prepare its financial statements.

Cause: The government is a small organization with limited resources.

Effect: It is common for a small organization to rely on the audit firm to prepare the financial statements; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements, this weakness in internal control would be classified as material.

Recommendation: While it may not be cost effective to do so, we recommend the government consider hiring a qualified person to evaluate the auditor prepared financial statements.

Management's response: The Yellowstone Academy does not have the resources in time or money to train a representative to adhere to the standards requiring the preparation of the annual financial statements and notes to the financial statements. Although the Yellowstone Academy will continue having the auditors prepare the financial statements, management will accept responsibility for the preparation and fair presentation of the financial statements and related internal controls, and will review and approve the financial statements prepared by the auditor to ensure their accuracy and completeness.

2025-003. TOTAL OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY

Criteria: Governmental Accounting Standards Board (GASB) Statement 75 requires the total Other Postemployment Benefit (OPEB) liability and related expense be recorded in the financial statements. GASB 75 also requires the Total OPEB liability to be calculated and updated at least every two years, with more frequent valuations, such as annual updates being encouraged to ensure accuracy and up-to-date financial reporting.

Condition: The government did not record the total other postemployment benefit (OPEB) liability and related expense (GASB Statement No. 75) in the financial statements.

Cause: The government did not engage an actuarial firm to assist in determining the total OPEB liability and related expense as of and for the year ended June 30, 2025.

Effect: The governmental activities liabilities are understated, net position is overstated and expenses would change resulting in the audit opinion being qualified.

Recommendation: The government should engage an actuarial firm to determine the updated total OPEB liability and related expense.

Management's response: The school district believes that the costs associated with producing this number with virtually no benefit doesn't warrant the money outlay for this.

SCHOOL DISTRICT NUMBER 58  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2025

2024-001. SEGREGATION OF DUTIES

Status: This finding is unresolved and is repeated as finding 2025-001 for the year ended June 30, 2025.

2024-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Status: This finding is unresolved and is repeated as finding 2025-002 for the year ended June 30, 2025.

2024-003. TOTAL OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY

Status: This finding is unresolved and is repeated as finding 2025-003 for the year ended June 30, 2025.