

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69

Financial Statements

June 30, 2014

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69

Table of Contents

June 30, 2014

Board of Trustees and Officers1

Independent Auditors’ Report..... 2 to 4

Management Discussion and Analysis 5 to 13

Financial Statements

Government-Wide Financial Statements

Statement of Net Position14

Statement of Activities.....15

Fund Financial Statements

Governmental Funds

Balance Sheet – Governmental Funds 16 and 17

Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position18

Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds..... 19 and 20

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities.....21

Fiduciary Fund Financial Statements

Statement of Fiduciary Net Position.....22

Statement of Changes in Fiduciary Net Position23

Notes to the Financial Statements..... 24 to 42

Required Supplemental Information

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget
and Actual – General Fund and Retirement Fund43 and 44

Employee Group Benefits Plan – Other Post Employment Benefits (OPEB).....45

Notes to the Required Supplemental Information46

Supplemental Information Required by the Montana Office of Public Instruction

Schedule of Enrollment..... 47 to 49

Schedule of Cash Collected and Disbursements and Transfers – Extracurricular Funds.....50

Internal Control and Compliance Section

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*.....51 and 52

Schedule of Findings and Responses and Summary of Prior Year Audit Findings 53 to 55

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69

2013 – 2014
ORGANIZATION

BOARD OF TRUSTEES

John Gospodarek	Chair
Kelly Burden	Vice Chair
Rachael Burden	Trustee
Jason Howell	Trustee
Merrick Young	Trustee

OFFICERS

Lael Calton	District Superintendent
Bunnie Weickum	District Clerk
Spring Binfet	Business Manager



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
West Yellowstone School District No. 69

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Yellowstone School District No. 69 ("the District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As described in Note 1 to the financial statements, in 2014, the District adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Restatement of Prior Year Balances

As described in Note 11 to the financial statements, the net position and fund balance as of June 30, 2013 did not agree to the District's previously issued financial statements. As a result, a restatement of the beginning net position and fund balance was reported. See Note 11 for further discussion on this matter. Our opinion is not modified with respect to this matter.

Other Matters

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 the supplemental schedule of employee group benefit plan information listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information listed in the Table of Contents as required by the Montana Office of Public Instruction is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The information required by the Montana Office of Public Instruction is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the

underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules required by the Montana Office of Public Instruction are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rudd + Company, PLLC

Bozeman, Montana
February 13, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Management Discussion and Analysis
For the Year Ended June 30, 2014

The discussion and analysis of West Yellowstone School District's financial performance provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 include:

- The District's assets exceed liabilities at June 30, 2014 by \$4,267,388. Of this amount \$38,113 of unrestricted net position may be used to meet the District's ongoing obligations.
- The District's net position decreased by \$232,802 as a result of this year's operations.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to present a detailed outline of specific activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in a single column. For the District, the General Fund is by far the most significant fund. However, the Miscellaneous Programs Fund and the Retirement Fund are also considered major funds for fiscal year 2014.

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

This report includes two district-wide statements that focus on operations of the district as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. The accrual basis of accounting is similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash was received or paid. Activities that are fiduciary in nature are not included in these statements.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Management Discussion and Analysis
For the Year Ended June 30, 2014

Reporting the School District as a Whole (continued)

Statement of Net Position and Statement of Activities (continued)

While this report contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question “How did we do financially during the 2013-2014 fiscal year?” The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets (what is owned), deferred outflows of resources (future resources to be consumed) liabilities (what is owed), deferred inflows of resources (revenues currently unavailable) and the net position (the resources that would remain if all obligations were settled) of the District. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in fixed or capital assets, such as buildings, equipment, and other long-lived property; and some assets are available to fund budgets of the following year.

These two statements report the District's net position and changes in those positions. This change in net position is important because it identifies whether the financial position of the District has improved or diminished for the District as a whole. The cause of this change may be the result of many factors, some financial and some not. Non-financial factors include the District's property tax base, current Montana property tax laws, increases or decreases in enrollment, required educational programs, facility growth, and other factors. Financial factors include timeliness of tax collections, unexpected expenditures, changes to state funding, increases or decreases in the rate of return on investments, and other factors.

In the Statement of Net Position and the Statement of Activities, the School District has one distinct kind of activity:

Governmental Activities – Most of the District's programs and services are reported here, including instruction, support services, general administration, operation, and maintenance of plant, pupil transportation, food services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the funds used by the school district. State law and generally accepted accounting principles (GAAP) establish the fund structure of school districts. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation and debt service, in separate fund accounts. The District uses many funds to account for a multitude of financial transactions.

The fund financial statements report balances and activities of the most significant, or major funds separately and combine activities of less significant funds under a single category.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Management Discussion and Analysis
For the Year Ended June 30, 2014

Reporting the School District's Most Significant Funds (continued)

Fund Financial Statements

Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district's operations and the existence of legal budget requirements. The District's major funds are the General Fund, Miscellaneous Programs Fund and the Retirement Fund.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds. These funds use the modified accrual basis of accounting and represent the majority of the district's activities and programs.

Fund statements include a reconciliation of the governmental fund statements to the district-wide statements. Most significant differences result from the use of different presentation bases. The district-wide statements are presented using the accrual basis of accounting and the fund statements for governmental funds use the modified accrual basis. In addition, capital assets and long-term debt are reported in the district-wide statements but not in the fund statements.

Reporting the District's Trust and Fiduciary Responsibilities

The District is the trustee, or fiduciary, for the miscellaneous trust fund and the student extracurricular funds. This report includes the activities in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position because the district cannot use these assets to fund its operations. The District is responsible for ensuring these assets are used for their intended purpose.

Budget-to-Actual Comparisons

The budgetary comparison schedules listed in the table of contents show how actual expenditures compared to the original and final budgeted expenditures for the general fund and the retirement fund. The District's expenditures were within budget for the fiscal year.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Management Discussion and Analysis
For the Year Ended June 30, 2014

The School District as a Whole

The perspective of the Statement of Net Position is of the District as a whole.

Table 1 provides a summary of the District's net position for fiscal years 2014 and 2013.

Table 1
Summarized Schedule of Net Assets

	Governmental Activities		Total change 2013-2014
	2014	2013	
Assets			
Current and Other Assets	\$ 768,679	\$ 862,249	\$ (93,570)
Capital Assets (net)	3,925,320	4,008,756	(83,436)
Total Assets	4,693,999	4,871,005	(177,006)
Liabilities			
Current Liabilities	38,705	62,972	(24,267)
Long-term Liabilities	387,906	307,843	80,063
Total Liabilities	426,611	370,815	55,796
Net Position			
Net Investment in Capital Assets	3,925,320	4,008,756	(83,436)
Restricted	303,955	479,514	(175,559)
Unrestricted	38,113	11,920	26,193
Total Net Position	\$ 4,267,388	\$ 4,500,190	\$ (232,802)

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Management Discussion and Analysis
For the Year Ended June 30, 2014

The School District as a Whole (continued)

Table 2 shows the changes in net position for fiscal year 2014, compared to fiscal year 2013 results:

Table 2
Changes in Net Position

	Governmental Activities		Total change 2013-2014
	2014	2013	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 47,720	\$ 44,087	\$ 3,633
Operating grants and contributions	154,161	154,378	(217)
<i>General Revenues:</i>			
Property taxes	996,669	1,064,062	(67,393)
State of Montana	1,097,352	1,060,488	36,864
Other general revenues	342,150	276,986	65,164
TOTAL REVENUES	2,638,052	2,600,001	38,051
Expenses			
Instruction	1,611,305	1,632,362	(21,057)
Support services	142,467	107,731	34,736
General administration	353,025	328,489	24,536
Operations and maintenance	275,722	310,461	(34,739)
Student transportation	193,089	206,249	(13,160)
Community	1,000	-	1,000
School food	112,935	84,014	28,921
Extracurricular	90,477	96,844	(6,367)
Unallocated depreciation	89,867	91,264	(1,397)
TOTAL EXPENSES	2,869,887	2,857,414	12,473
CHANGES IN NET POSITION	(231,835)	(257,413)	25,578
<i>Net Position, Beginning of Year</i>	<i>4,500,190</i>	<i>4,757,603</i>	<i>(257,413)</i>
Restatement	(967)	-	(967)
Net Position, Beginning of Year, Restated	4,499,223	4,757,603	(258,380)
Net Position, End of Year	\$ 4,267,388	\$ 4,500,190	\$ (232,802)

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Management Discussion and Analysis
For the Year Ended June 30, 2014

The School District as a Whole (continued)

Governmental Activities

In Montana, school districts must seek voter approval for any additional levy authority needed to operate the school district over what was approved in prior years and what will be received from the state. Property taxes made up 38 percent of revenues for governmental activities for the District in fiscal year 2014.

The major categories of expenses are presented on page 12. Of these expenses, the largest function is instruction, which comprises 56 percent of district expenses.

Spending Levels Compared to Resource Levels

The School District's revenue for governmental activities was \$231,835 less than the total expenses for the District. Please see page 9 for a presentation of this information.

Analysis of Financial Information

The following analysis is provided to help the reader understand the major operations of the District, where the resources come from, what the resources are used for, and trends, decisions and events that are expected to affect the District's financial situation in the future.

General Information about West Yellowstone School District: The District provides education for children in grades kindergarten through 12th grade, transportation to and from school, provides hot lunches, provides athletic and extracurricular activities, and participates in various federal programs.

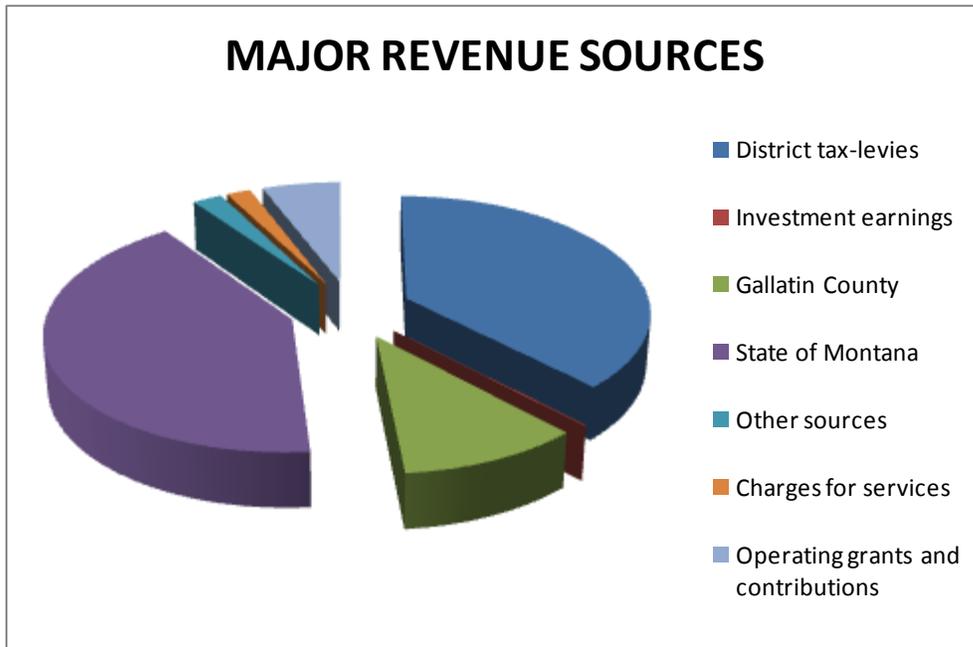
Where do the resources come from? The majority of resources utilized by the District come from local property taxes, state aid, state and federal grants, and interest revenue. Page 11 shows the percent of the resource (revenue) components listed above to the total resources (revenues) of the District.

What does it cost? The major expenditure functions of the District include instructional, support services, operations, administration, capital outlay and transportation. Page 12 illustrates the costs of major functions and their relative size, compared to total expenditures.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Management Discussion and Analysis
For the Year Ended June 30, 2014

Table 3
Major Resources

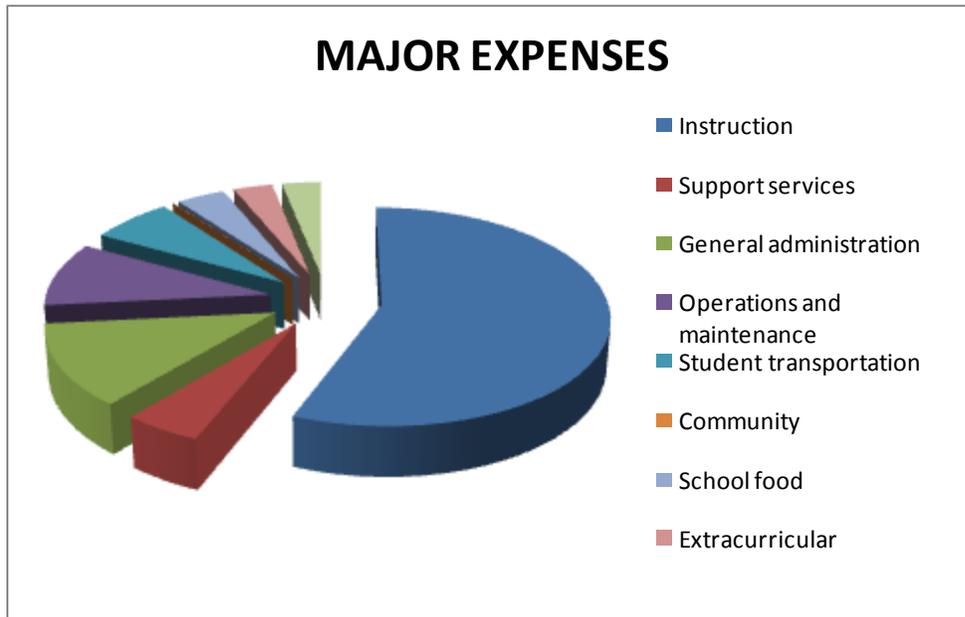
	Governmental Activities	Percent of Total
<i>General revenues:</i>		
District tax-levies	\$ 996,669	37.78%
Investment earnings	3,678	0.14%
Gallatin County	280,200	10.62%
State of Montana	1,097,352	41.60%
Other sources	58,272	2.21%
Total general revenues	\$ 2,436,171	92.35%
Charges for services	47,720	1.81%
Operating grants and contributions	154,161	5.84%
TOTAL REVENUES	\$ 2,638,052	100.00%



WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Management Discussion and Analysis
For the Year Ended June 30, 2014

Table 4
Major Expenditure Functions

<i>Expenses</i>	Governmental Activities	Percent of Total
Instruction	\$ 1,611,305	56.15%
Support services	142,467	4.96%
General administration	353,025	12.30%
Operations and maintenance	275,722	9.61%
Student transportation	193,089	6.73%
Community	1,000	0.03%
School food	112,935	3.94%
Extracurricular	90,477	3.15%
Unallocated depreciation	89,867	3.13%
TOTAL EXPENSES	\$ 2,869,887	100.00%



WEST YELLOWSTONE SCHOOL DISTRICT NO. 69

Management Discussion and Analysis

For the Year Ended June 30, 2014

What are the Capital Assets and Debt of the District? Capital assets of the District are assets purchased for over \$5,000 with a useful life of one year or more. The majority of items included in the capital assets are buildings and building improvements and equipment such as copy machines and buses. Technology purchases are mainly funded by the technology fund, however, because of the \$5,000 capitalization threshold for the District; these purchases are rarely considered capital assets. The table below summarizes the capital assets for the District. Please refer to note 3 for further information on the District's capital assets.

Table 5
Capital Assets

	Governmental Activities
Land	\$ 763,900
Land improvements	161,022
Buildings and improvements	4,723,485
Machinery and equipment	59,539
<i>Total capital assets</i>	\$ 5,707,946
Less accumulated depreciation	(1,782,626)
<i>Total capital assets, net of accumulated depreciation</i>	\$ 3,925,320

The long-term debt of the District is comprised of compensated absences and other post employment liabilities. Please refer to notes 4 and 9 for further information on the District's long-term debt.

What changes and trends affect the district's future? In the next few years, the District will undergo many changes and have many challenges. These changes and challenges will include, but are not limited to: 1) increases in regular education student enrollment and needs, 2) increased costs associated with building upgrades and needs, 3) proposing a bond election in the spring of 2015 to better accommodate the increased class sizes and relocate the elementary students back to one wing in the school 4) increased costs in creating additional collaborative and multi-use space within current building.

Contact for Further Information

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Districts' finances and to demonstrate the Districts' accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business Manager, at West Yellowstone School District, PO Box 460, West Yellowstone, MT 59030.

FINANCIAL STATEMENTS

GOVERNMENT – WIDE FINANCIAL STATEMENTS

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69**Statement of Net Position****For the Year Ended June 30, 2014**

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 682,915
Property taxes receivable	77,364
Due from other governments	8,400
Total Current Assets	<u>768,679</u>
Capital Assets	
Land	763,900
Land improvements	161,022
Buildings and improvements	4,723,485
Machinery and equipment	59,539
Less: accumulated depreciation	<u>(1,782,626)</u>
Total Capital Assets	<u>3,925,320</u>
Total Assets	<u>4,693,999</u>
Liabilities	
Current liabilities	
Accounts payable	1,000
Other current liabilities	18,668
Compensated absences, current portion	19,037
Total Current Liabilities	<u>38,705</u>
Noncurrent Liabilities	
Compensated absences	44,420
Other post employment liability	343,486
Total Noncurrent Liabilities	<u>387,906</u>
Total Liabilities	<u>426,611</u>
Net Position	
Net investment in capital assets	3,925,320
Restricted	
For special revenue	302,382
For capital projects	1,573
Unrestricted	38,113
Total Net Position	<u>\$ 4,267,388</u>

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69**Balance Sheet – Governmental Funds****June 30, 2014**

	<u>Total General Fund</u>	<u>Retirement Fund</u>	<u>Miscellaneous Programs Fund</u>
Assets			
Cash and cash equivalents	\$ 287,713	\$ 65,381	\$ 170,120
Property taxes receivable	59,442	-	-
Due from other governments	-	8,400	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 347,155</u>	<u>\$ 73,781</u>	<u>\$ 170,120</u>
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 1,000
Other current liabilities	14,703	-	769
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>14,703</u>	<u>-</u>	<u>1,769</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	59,442	-	-
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>59,442</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable	-	-	-
Restricted	-	73,781	156,108
Committed	-	-	-
Assigned	35,941	-	12,243
Unassigned	237,069	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>273,010</u>	<u>73,781</u>	<u>168,351</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 347,155</u>	<u>\$ 73,781</u>	<u>\$ 170,120</u>

The accompanying notes are an integral part of the financial statements.

Total Nonmajor Funds	Total Governmental Funds
\$ 159,701	\$ 682,915
17,922	77,364
-	8,400
<u>\$ 177,623</u>	<u>\$ 768,679</u>
\$ -	\$ 1,000
3,196	18,668
<u>3,196</u>	<u>19,668</u>
17,922	77,364
<u>17,922</u>	<u>77,364</u>
-	-
62,054	291,943
-	-
94,451	142,635
-	237,069
<u>156,505</u>	<u>671,647</u>
<u>\$ 177,623</u>	<u>\$ 768,679</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2014

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	\$ 671,647
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$5,707,946 and the accumulated depreciation is \$1,782,626.	3,925,320
Property tax revenue is recognized when earned (and the claim to resources is established) rather than when "available". All of the deferred inflows of resources from property tax revenue reported in the governmental funds is not available.	77,364
Long-term liabilities including compensated absences and other post employment benefit liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(406,943)</u>
Total net position - governmental activities	<u>\$ 4,267,388</u>

The accompanying notes are an integral part of the financial statements.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Retirement Fund</u>	<u>Miscellaneous Programs Fund</u>
Revenues:			
District tax-levies	\$ 816,296	\$ -	\$ -
Investment interest	2,605	287	209
County	-	264,878	-
State of Montana	1,064,811	-	5,664
Federal	-	-	83,599
Other revenue sources	35,824	-	29,728
Total revenues	<u>1,919,536</u>	<u>265,165</u>	<u>119,200</u>
Expenditures:			
Current:			
Instruction	1,157,537	223,747	85,452
Support services	87,134	11,586	23,116
General administration	319,254	27,322	-
Operations and maintenance	217,453	11,319	-
Student transportation	52,202	9,732	-
Food services	2,469	6,775	-
Community	-	-	1,000
Extracurricular activities	82,364	8,113	-
Capital outlay	5,880	-	-
Total expenditures	<u>1,924,293</u>	<u>298,594</u>	<u>109,568</u>
Excess (deficiency) of revenues over expenditures	(4,757)	(33,429)	9,632
Other financing sources (uses):			
Operating Transfers	32,385	-	-
Net change in fund balances	27,628	(33,429)	9,632
Fund balances, July 1, 2013	<u>258,806</u>	<u>111,531</u>	<u>169,964</u>
Restatements, See Note 11	<u>(13,424)</u>	<u>(4,321)</u>	<u>(11,245)</u>
Fund balances, July 1, 2013, Restated	<u>245,382</u>	<u>107,210</u>	<u>158,719</u>
Fund balances June 30, 2014	<u>\$ 273,010</u>	<u>\$ 73,781</u>	<u>\$ 168,351</u>

The accompanying notes are an integral part of the financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 179,960	\$ 996,256
577	3,678
15,322	280,200
26,877	1,097,352
63,282	146,881
47,720	113,272
333,738	2,637,639
45,002	1,511,738
901	122,737
6,449	353,025
46,950	275,722
131,155	193,089
103,691	112,935
-	1,000
-	90,477
16,939	22,819
351,087	2,683,542
(17,349)	(45,903)
(32,385)	-
(49,734)	(45,903)
182,025	722,326
24,214	(4,776)
206,239	717,550
\$ 156,505	\$ 671,647

The accompanying notes are an integral part of the financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
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, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (45,903)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlay.	(87,245)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	413
The current period net increase in compensated absences and other postemployment benefits payable did not require the use of current financial resources and, therefore, generated no expenditure to be reported in the governmental funds.	<u>(99,100)</u>
Change in net position of governmental activities	<u>\$ (231,835)</u>

The accompanying notes are an integral part of the financial statements.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Statement of Fiduciary Net Position
June 30, 2014

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and investments	\$ 74,889	\$ 74,903
Total assets	<u>\$ 74,889</u>	<u>\$ 74,903</u>
Liabilities		
Warrants payable	\$ -	\$ 57,032
Other current liabilities	<u>-</u>	<u>17,871</u>
Total liabilities	<u>-</u>	<u>74,903</u>
Net Position		
Net position held in trust	<u>74,889</u>	<u>-</u>
Total net position	<u>\$ 74,889</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2014

	<u>Private-Purpose Trust Funds</u>
Additions:	
Investment interest	\$ 64
Extracurricular	67,024
Other	<u>1,000</u>
Total additions	<u>68,088</u>
Deductions:	
Extracurricular	<u>64,728</u>
Total deductions	<u>64,728</u>
Change in net position held in trust	3,360
Net Position, July 1, 2013	66,415
Restatement, see Note 11	<u>5,114</u>
Net Position, July 1, 2013, Restated	<u>71,529</u>
Net Position, June 30, 2014	<u>\$ 74,889</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69

Notes to the Financial Statements

For the Year Ended June 30, 2014

1. Summary of Significant Accounting Policies

The financial statements of West Yellowstone School District No. 69 (“the District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

West Yellowstone School District No. 69 delivers public education services to students below the College and University level to residents of the District. Generally accepted accounting principles in the United States require that these financial statements present School District No. 69 (the primary government) and all component units, if any. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations for which the District is financially accountable have been considered for inclusion in the general purpose financial statements. West Yellowstone School District No. 69 has no component units.

The District is managed by a Board of Trustees, elected in a district-wide election, and by an administration appointed by and responsible to the Board. The financial statements include all of the operations of the District, which the Board of Trustees exercises responsibility. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the District is a primary government as defined by GASB Code Section 2100.

Government Wide and Fund Financial Statements

The District's financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net position and statement of activities report information on all of the non-fiduciary activities of the primary government. All internal activity has been eliminated.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipient of the goods or services provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69

Notes to the Financial Statements

For the Year Ended June 30, 2014

1. Summary of Significant Accounting Policies (continued)

Government Wide and Fund Financial Statements (continued)

The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements - Separate financial statements are provided for governmental funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The focus of governmental fund financial statements is on major funds. For the District, the general fund, the miscellaneous programs fund and the retirement fund are considered major and are presented in separate columns. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are 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 by the last day of the year. Therefore, all revenue items are considered to be measurable and available only when cash is received by the government.

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

The government reports the following major governmental funds:

The *General Fund* accounts for all financial resources of the general government, except those required to be accounted for in another fund. The revenue sources of the general fund include district tax levies, the state of Montana, and the federal government.

The *Miscellaneous Programs Fund* accounts for miscellaneous grant funds. The revenue sources consist primarily of federal and state grants.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69

Notes to the Financial Statements

For the Year Ended June 30, 2014

1. Summary of Significant Accounting Policies (continued)

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

The *Retirement Fund* accounts for the financing of the employer's contribution to the Teachers' Retirement Systems (TRS), the Public Employees' Retirement System (PERS), unemployment compensation and social security. The revenue for this fund comes from a countywide levy for retirement.

Additionally, the government reports the following fund type:

The *Private-Purpose Trust Fund* is used to account for resources legally held in trust for student extracurricular activities and student scholarships. All resources of the funds, including any earnings on invested resources, may be used to support the purpose of the fund. *Agency funds* are custodial in nature and do not involve measurement of results of operations. These include a claims warrant clearing fund and a payroll warrant clearing fund.

Encumbrances

Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if unperformed purchase orders or contracts in process at year-end were completed. They do not constitute expenditures or liabilities, until performance is essentially complete.

Encumbrances are included as an assignment of fund balance of the fund balance sheet and have no effect on the statement of revenues, expenditures and changes in fund balance. See Note 12 for additional disclosure on the District's encumbrance commitments.

New Accounting Pronouncements

During the year, the District implemented *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities* (GASBS No. 65), which amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). Under GASBS No. 65, deferred tax revenue will now be reported as a deferred inflow of resources instead of as a liability on the fund statements, but there is no change to previously reported net position or fund balance due to the adoption of this standard.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69

Notes to the Financial Statements

For the Year Ended June 30, 2014

1. Summary of Significant Accounting Policies (continued)

Budgets

State law requires that the District adopt budgets for certain funds, generally those supported by property taxes. Budgeted and non-budgeted funds are as follows:

<u>Fund</u>	<u>Budgeted</u>	<u>Non-Budgeted</u>
General	X	
Special Revenue:		
Transportation	X	
School Food		X
Tuition	X	
Retirement	X	
Miscellaneous Programs		X
Compensated Absences		X
Technology	X	
Adult Education	X	
Traffic Education		X
Impact Aid		X
Flexibility	X	
Capital Projects:		
Building Reserve	X	
Trust and Agency:		
Extracurricular Activities		X
Private Purpose Trust		X
Payroll Clearing		X
Claims Clearing		X

The General Fund budget is formulated on basic and per student entitlement amounts and enrollment. Budgets for other funds are based primarily on expected revenues and expenditures. Budgeted fund expenditures are limited by State law to budgeted amounts however budgets may be amended for emergencies as defined by State law.

The budget policy is as follows:

- On the second Monday in August, the Board of Trustees must meet to legally adopt the final budget. This budget is adopted consistent with the basis of accounting described in Note 1.
- Upon adoption of the final budget, expenditures are limited to the total fund budget. The District has the right to transfer budgetary authority among the various line items of a fund, but not between funds. Unexpected and unencumbered appropriations lapse at year end.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69

Notes to the Financial Statements

For the Year Ended June 30, 2014

1. Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Taxes are normally billed in October and payable 50% by November 30 and 50% by May 31. Property taxes are maintained and collected by the County Treasurer; the District records such receipts when reported by the Treasurer. The total mill levy for the year was 105.39 mills. Taxable value for the District was \$9,580,362.

Delinquent taxes may be collected for up to ten years. The County Treasurer may issue a writ of execution to the County Sherriff to seize property and sell it to pay the taxes. Any taxes unpaid at the end of ten years may be written off by the County Commissioners. Because of the described collection procedures, estimated uncollectible taxes receivable are minimal and therefore not recorded.

Taxes paid under protest are placed in an escrow fund by the County pending settlement of the protest. Under State law (MCA 15-1-402), the District may demand payment from the protested tax escrow fund for all or part of the protested taxes from the second and subsequent years of the protest. The District policy is to not recognize this revenue until the protest is settled and taxes are distributed.

Cash and Investments

Cash, except the Student Extracurricular Fund (an expendable trust), is held by the County Treasurer and pooled in the County external investment pool. The fair value of the position in the pool is the same as the value in the pool.

The County Treasurer, at the direction of the District, invests the pooled cash pursuant to state law (MCA 20-9-213[4]). Allowable investments include eligible securities as authorized by MCA 7-6-303; savings or time deposits in a state or national bank; building and loan association, savings and loan association, or credit union insured by the FDIC, or NCUA located in the State; repurchase agreements; and the State Short-Term Investment Pool (STIP) as provided in MCA 17-6-204. STIP has invested in derivatives, but the nature of those transactions, the reason for entering into them and the District's exposure to credit risk is not available to the District for disclosure.

The audited financial statements of Gallatin County, which include the external investment pools where the District's monies are held, may be obtained at the Gallatin County Treasurer's Office in Bozeman, Montana.

Due from Other Governments

These accounts are composed primarily of: (1) revenue accruals for property taxes received from the county and (2) revenue accruals for the various reimbursable type grants for which revenue is recognized as expenditures are made. If receipts exceed expenditures, the excess is generally deferred until expenditure of funds, but may be recognized as revenue depending on the terms of the particular grant agreement.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69

Notes to the Financial Statements

For the Year Ended June 30, 2014

1. Summary of Significant Accounting Policies (continued)

Inventories

Supplies obtained through the governmental funds are recorded as expenditures at the time of purchase. Inventory is valued at cost. Inventories of materials and supplies on hand are not maintained; however, they are not considered material.

Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000. Land, buildings and equipment are stated on the basis of historical cost, except estimated historical costs were utilized where no historical records exist. Assets acquired through gifts or donations are recorded at their estimated fair market value at time of acquisition. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life is not capitalized.

Depreciation is recorded using the straight-line method with the following lives:

Land improvements	20 Years
Buildings and improvements	25-50 Years
Machinery and equipment.....	5-25 Years

Liability for Compensated Absences

Non-certified District employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Vacation leave may be accumulated to a total not to exceed two times the maximum number of days earned annually.

Certified District employees earn 12 sick days per year. Sick leave is earned at a rate of one day per month, for non-certified District employees. Unused days of leave will be allowed to accumulate up to a maximum of 120 days. Upon retirement or termination, non-certified employees are paid 25% of unused sick leave and certified District employees are paid 30% of unused sick leave. All District employees are paid 100% of unused vacation leave.

In governmental funds, sick leave and vacation leave are recorded as expenditures in the year paid, as it is the District's policy to satisfy any unpaid amounts at year end from future resources, not expendable available resources.

The District, in accordance with State Law, may appropriate year end General Fund cash and establish a reserve fund for the purpose of paying any accumulated amount of sick leave due to a non-teaching employee upon termination of employment. Such reserve (Special Revenue Fund Compensated Absence) may be used only for the purpose stated above and may not exceed 30% of the District liability for accumulated sick leave and vacation pay as of June 30, 2014.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69

**Notes to the Financial Statements
For the Year Ended June 30, 2014**

1. Summary of Significant Accounting Policies (continued)

Other Post Employment Benefits

The District recognizes and reports its postemployment health care benefits in accordance with GASB Statement 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General Fund	Nonmajor Governmental Funds	Total
Unavailable Revenue - Property taxes	\$ 59,442	\$ 17,922	\$ 77,364

Fund Equity

In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor how those amounts may be spent. Designations of fund balances as non-spendable, restricted, committed, assigned or unassigned are based upon the types of constraints placed upon the outstanding balances. For additional disclosure on the reporting of Fund Equity, see Note 8.

Use of Estimates

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

Subsequent Events

Subsequent events have been evaluated through February 13, 2015, the date the report was available to be issued.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69

Notes to the Financial Statements

For the Year Ended June 30, 2014

2. Cash and Investments

The District participates in the Gallatin County Treasurer's external investment pool. All funds deposited with the County Treasurer are pooled and invested in certificates of deposit, U.S. Treasury bills, and other short-term bank investments, and are reported as cash in the accompanying financial statements, as the District has full access to these funds upon request. Interest earnings are allocated to the individual funds of the District based on average month end cash balances.

Investments of the pool consist mainly of government backed securities and bonds. The pool is valued at cost, which approximates fair value. There is no material difference between the value of the pool shares and the fair value. The pool is not SEC registered.

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. Since the District invests in a cooperative pool, pledged securities for the various individual deposits and repurchase agreements are managed by the County Treasurer. Montana Code allows the 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%.

Information as to the types and amounts of fully insured deposits and collateral for deposit with securities can be obtained from the Gallatin County Treasurer. Risk in the event of loss is unclear in State law, but appears to be the liability of the County government. Because of the custodial involvement of the County government, and the commingling of cash in County deposits in the name of the County Treasurer, risk classification according to GASB 40 is impracticable.

<u>Investment</u>	<u>Maturities</u>	<u>Credit Risk Rating</u>
Gallatin County Treasurer External Investment Pool	No Maturity	Not Rated

The Student Extracurricular Fund cash in checking has a carrying balance of \$32,781 and a bank balance of \$33,324 and is fully insured by the FDIC.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Notes to the Financial Statements
For the Year Ended June 30, 2014

3. Capital Assets

A summary of capital assets follows:

	Beginning June 30, 2013	Additions	Retirements	Ending June 30, 2014
Capital assets not subject to depreciation:				
Land	\$ 763,900	\$ -	\$ -	\$ 763,900
Capital assets subject to depreciation:				
Land improvements	151,522	9,500	-	161,022
Buildings and improvements	4,710,166	13,319	-	4,723,485
Equipment and other	59,539	-	-	59,539
Total capital assets	<u>5,685,127</u>	<u>22,819</u>	<u>-</u>	<u>5,707,946</u>
Less accumulated depreciation for:				
Land improvements	105,444	9,580	-	115,024
Buildings and improvements	1,530,532	95,191	-	1,625,723
Equipment and other	36,586	5,293	-	41,879
Total accumulated depreciation	<u>1,672,562</u>	<u>110,064</u>	<u>-</u>	<u>1,782,626</u>
Total capital assets, net of accumulated depreciation	<u>\$ 4,012,565</u>	<u>\$ (87,245)</u>	<u>\$ -</u>	<u>\$ 3,925,320</u>

Depreciation expense has been charged to functions of the primary government, as follows:

Instruction	\$ 467
Support services	19,730
Unallocated depreciation	89,867
	<u>\$ 110,064</u>

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69

**Notes to the Financial Statements
For the Year Ended June 30, 2014**

4. Compensated Absences

The following is a summary of obligations of the District for the fiscal year ended June 30, 2014:

	Compensated Absences	Other Post Employment	Total
Balance July 1, 2013	\$ 92,491	\$ 215,352	\$ 307,843
Additions	128	128,134	128,262
Reductions	(29,162)	-	(29,162)
Balance June 30, 2014	\$ 63,457	\$ 343,486	\$ 406,943

5. Retirement Plans

The District participates in two statewide mandatory cost-sharing multi-employer defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including principals and superintendents. The Public Employees' Retirement System (PERS) covers other non-teaching employees. The plans were established in 1945 and are governed by Title 19, Chapters 2 and 3 of the Montana Code Annotated. The State legislature has the authority to establish and amend contribution rates and benefit provisions to the plans. The plans provide basic retirement benefits, including early retirement, disability, regular retirement, and death benefits.

Both plans issue publicly available annual reports that include financial statements and required supplemental information for the plans. Those reports may be obtained from the following:

Teachers Retirement System
PO Box 200139
1500 Sixth Avenue
Helena MT 59620-0139
Phone: 406-444-3134

Public Employees Retirement System
PO Box 200131
1712 Ninth Avenue
Helena MT 59620-0131
Phone: 406-444-3154

As of July 1, 2013, the State of Montana increased required contributions and funding for the TRS. The new regulations divide employees into two distinct groups depending on the hire date of the members or date they withdraw their account balance. A Tier One member will contribute at a rate of 7.15 percent of their earned compensation. A Tier Two member must contribute at a rate of 8.15 percent of their earned compensation. The District will contribute 7.47 percent plus an additional supplemental contribution rate of 1 percent of earned compensation for both Tier One and Tier Two employees. The state will contribute 2.49 percent of the total earned compensation of the District to the pension fund in addition to \$25 million annually as a supplemental contribution.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69

Notes to the Financial Statements

For the Year Ended June 30, 2014

5. Retirement Plans (continued)

As of July 1, 2013, PERS employee contribution rates increased from fiscal year 2013 to 7.9 percent of compensation for all employees and 7.8 percent for employer contributions. The employer contribution will continue to increase by 0.1 percent each fiscal year through fiscal year 2024.

Further in fiscal year 2014, the District paid additional contributions to the TRS for an underfunded liability in the amount of \$48,796 from the retirement fund.

The amounts contributed to TRS and PERS during the years ended June 30, 2014, 2013 and 2012 were equal to the required contributions for each year. The combined amounts contributed by both the District and its employees were as follows:

	<u>PERS</u>	<u>TRS</u>
	<u>Total</u>	<u>Total</u>
2012	\$ 34,342	\$ 165,899
2013	\$ 34,235	\$ 191,401
2014	\$ 40,516	\$ 223,067

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is available to all District employees and permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

6. Risk Management

The District faces a considerable number of risks of loss, including a) damage to and loss of property and contents, b) employee torts, c) professional liability, i.e., errors and omissions, d) environmental damage, e) workers' compensation, i.e., employee injuries, and f) medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, professional liabilities and medical insurance costs of employees. And, given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years, except for property and content coverage where the guaranteed values have been increased to approximate replacement costs of the assets. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69

Notes to the Financial Statements For the Year Ended June 30, 2014

6. Risk Management (continued)

Insurance Pools

The Montana Schools Group Insurance Authority (MSGIA) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSGIA. The MSGIA is responsible for paying all workers' compensation claims of the member school districts. Each member of the MSGIA is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSGIA purchases workers' compensation reinsurance to provide statutory excess limits. The MSGIA contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management, claim management, and risk management services to its program members.

The Montana School Unemployment Insurance Program (MSUIP) was created pursuant to the Interlocal Cooperation Act by execution of an Interlocal Agreement creating the MSUIP. The MSUIP is responsible for paying all unemployment insurance claims of the member school districts. Each member of the MSUIP is jointly and severally liable for the full amount of any and all known or unknown claims of each member arising during the member's participation in the program. The MSUIP contracts with Montana School Boards Association (MTSBA) to provide third party administrative services to the program. The MTSBA provides general program management and technical services to its program members.

Separate audited financial statements are available from Montana Schools Group Insurance Authority for MSGIA and MSUIP.

7. Joint Venture

A joint venture is a legal entity or other organization created by a contractual agreement that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control for the purpose of pooling resources and sharing costs, risks and rewards of providing goods or services to the venture participants.

The District is a member of the Gallatin-Madison Special Education Cooperative. The Cooperative is comprised of 12 member districts, each of which contributes to the operating costs of the Cooperative based on the annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. The purpose of the Cooperative is to provide assistance in the development and maintenance of special education programs, provide comprehensive evaluation for each child, assist with the provisions of all support or related services, as required by the IEP, and assure due process for all children with disabilities. Each participating district shall establish a Cooperative Management Board, or the Cooperative Council, consisting of an administrative representative from each district that has a student ANB larger than 40 the previous year. The Office of the Gallatin County Superintendent of Schools is the prime fiscal agent.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69

Notes to the Financial Statements For the Year Ended June 30, 2014

7. Joint Venture (continued)

The District's contribution to the Cooperative was \$9,051 for the fiscal year ended June 30, 2014. Separate financial statements are available from the Gallatin-Madison Special Education Cooperative.

The District entered into an interlocal agreement with the Montana Educational Consortium (MEC). The purpose of this interlocal agreement is to provide services in establishing, maintaining, and operating programs to provide educationally related services. The District paid a membership fee for the fiscal year ended June 30, 2014 of \$3,000.

The District also entered into a Montana Region IV Educational Servicer Agency (RESA4U) Multidistrict Agreement, which was established for the purpose of jointly coordinating and purchasing professional development, computer hardware and software, supplies and anything else the RESA4U board determines to be beneficial for the participating Districts. Each fiscal year participating districts shall transfer their financial support to the prime agency, the Bozeman School District, pursuant to the agreement. For the fiscal year ended June 30, 2014, the District contributed \$3,969 to the Interlocal fund.

8. Fund Balances

Fund balance is classified on the relative strength of the spending constraints placed on the purpose for which resources can be used as follows:

Nonspendable fund balance – amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes externally imposed by creditors (such as through debt covenants), grantor and contributors or laws, or regulations or other governments, or through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts that can only be used for specific purposes, pursuant to constraints imposed by formal action by a board resolution of the government's highest level of decision making authority. The Board of Trustees is the highest level of decision making authority which has the authority to commit fund balance; however, the District Clerk has been delegated the authority to determine the specific amount to be committed.

Assigned fund balance – amounts that are constrained by the governments' intent to be used for specific purposes, but are neither restricted nor committed. Funds can be assigned by the District Clerk, Superintendent of Schools or the Board of Trustees.

Unassigned fund balance – amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other governmental funds, it may be necessary to report a negative residual balance as unassigned.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69**Notes to the Financial Statements****For the Year Ended June 30, 2014****8. Fund Balances (continued)**

The District has a policy to expend restricted amounts first when an expenditure has been incurred for purposes for which both restricted and unrestricted fund balances are available. The policy states the order of releasing fund balance for current expenditures is: restricted, committed, assigned and then unassigned.

	General Fund	Special Revenue Funds	Capital Project Funds	Total
Fund balance:				
Restricted for:				
Retirement Services Fund	\$ -	\$ 73,781	\$ -	\$ 73,781
Miscellaneous Funds	-	156,108	-	156,108
Technology Fund	-	8,656	-	8,656
Transportation Fund	-	30,227	-	30,227
Flexibility Fund	-	15,789	-	15,789
Compensated Absences Fund	-	7,382	-	7,382
Subtotal Restricted Fund Balance	<u>-</u>	<u>291,943</u>	<u>-</u>	<u>291,943</u>
Assigned to:				
General Fund	35,941	-	-	35,941
Miscellaneous Fund	-	12,243	-	12,243
School Food Services Fund	-	17,692	-	17,692
Impact Aid Funds	-	9,550	-	9,550
Adult Education Fund	-	46,760	-	46,760
Tuition Fund	-	3,885	-	3,885
Traffic Education Fund	-	4,169	-	4,169
Building Reserve Fund	-	-	12,395	12,395
Subtotal Assigned Fund Balance	<u>35,941</u>	<u>94,299</u>	<u>12,395</u>	<u>142,635</u>
Unassigned:	<u>237,069</u>	<u>-</u>	<u>-</u>	<u>237,069</u>
Total Fund Balances	<u>\$ 273,010</u>	<u>\$ 386,242</u>	<u>\$ 12,395</u>	<u>\$ 671,647</u>

9. Other Post Employment Benefits**Plan Description**

West Yellowstone School District No. 69 has a single-employer medical plan through Blue Cross Blue Shield of Montana. The plan currently provides defined healthcare insurance benefits for eligible employees, retirees, spouses and dependents. Participation is elected by the retiree at the time of retirement. Benefit provisions are approved annually by the Board of Trustees and may be revoked or altered at any time. The above described plan does not provide a stand-alone financial report.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69

Notes to the Financial Statements

For the Year Ended June 30, 2014

9. Other Post Employment Benefits (continued)

Funding Policy

The District provides no direct subsidy to the health insurance premiums for retirees. Retirees pay for the entire cost of the health insurance premium. Eligible retired employees include former full-time and certain other employees. As of June 30, 2014 there were 4 retirees and/or survivor enrolled in the employer's sponsored health insurance plan.

Annual OPEB Cost Obligation and Net OPEB Obligation

The District has less than 100 plan members and qualifies to use the "Alternative Measurement Method" for calculating the OPEB liability. The District pays the OPEB liability costs on a pay-as-you-go basis. A trust fund for future liabilities has not been established.

The District's other postemployment benefit (OPEB) cost (expense) is calculated based on the calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes on the District's net OPEB obligation:

Annual required contribution (ARC)	\$ 128,134
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB Cost	128,134
Contributions made	<u>-</u>
Change in net OPEB obligation	128,134
Net OPEB obligation - beginning of year	<u>215,352</u>
Net OPEB obligation - end of year	<u>\$ 343,486</u>

Trend Information

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2014 and the two preceding years are presented on the following page.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69**Notes to the Financial Statements****For the Year Ended June 30, 2014****9. Other Post Employment Benefits (continued)**

Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation	CY Increase
June 30, 2012	-	-	0.00%	87,218	87,218
June 30, 2013	128,134	-	0.00%	215,352	128,134
June 30, 2014	128,134	-	2.20%	343,486	128,134

Funded Status and Funding Progress

As of June 30, 2013 (the most recent measurement date), the actuarial accrued liability (AAL) for benefits was \$625,100, all of which was unfunded. There are no assets set aside to fund these benefits as the District funds post-retirement health insurance benefits on a pay-as-you-go basis funded 100% by the retiring employees. The covered payroll (annual payroll of active employees covered by the plan) and ratio of UAAL to covered payroll are presented below.

Actuarial Valuation

Actuarial Accrued Liability (AAL)	\$ 625,100
Actuarial Value of Assets (AVA)	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 625,100</u>
Funded Ratio (AVA/UAAL)	0%
Covered Payroll	989,768
UAAL as a Percentages of Covered Payroll	44%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69

Notes to the Financial Statements

For the Year Ended June 30, 2014

9. Other Post Employment Benefits (continued)

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014 actuarial valuation, the following simplifying assumptions were made:

- (1) Amortization factor for a 30-year period as a level percent of payroll on an open basis, using a 0.17 percent discount rate and a 2.80 percent payroll growth assumption;
- (2) Average retirement age is 62 years;
- (3) Healthcare Cost Trend Rate of 3.8% initial and 6.9% ultimate

10. Interfund Transfers

The interfund transfers for the year ended June 30, 2014 were as follows:

	<u>Interfund Revenue</u>	<u>Interfund Expenses</u>
Major Funds		
General fund	\$ 32,385	\$ -
Nonmajor Funds		
Compensated absence fund	-	(32,234)
Debt service fund	-	(151)
	<u>\$ 32,385</u>	<u>\$ (32,385)</u>

The transfers out of the debt service funds noted above are in accordance with MCA 20-9-443 (ARM 10.10.320(5)), which allows transfer of remaining fund balance after all debt is fully paid.

The transfers out of the compensated absences funds are in accordance with MCA, 20-9-512, to maintain the compensated absences liability fund as of June 30, 2014.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69

**Notes to the Financial Statements
For the Year Ended June 30, 2014**

11. Restatement

The fiscal year 2013 audited financial statements reported fund balances and government wide net position that did not agree to supporting documentation. This resulted in the various fund balances/net positions to be over (under) stated for the year ended June 30, 2013. The following reconciliation by fund describes the prior year restatements to correctly report fund balances and net position as of June 30, 2013:

	General Fund	Retirement Fund	Miscellaneous Fund	Total Major Funds
Fund balance, June 30, 2013, per audited financial statements	\$ 258,806	\$ 111,531	\$ 169,964	\$ 540,301
To reconcile to County Treasurer's cash balance	-	(59)	-	(59)
To record due from other governments	-	-	8,121	8,121
To increase in expenditures to actual	(13,424)	(4,262)	(19,366)	(37,052)
Total restatement	(13,424)	(4,321)	(11,245)	(28,990)
Restated fund balance as of June 30, 2013	\$ 245,382	\$ 107,210	\$ 158,719	\$ 511,311

	Transportation Fund	Food Services Fund	Tuition Fund	Traffic Education Fund	Compensated Absences Fund	Total in Non-major Funds
Fund balance, June 30, 2013, per audited financial statements	\$ 2,705	\$ 17,951	\$ 838	\$ 1,917	\$ 45,381	\$ 68,792
To reconcile to County Treasurer's cash balance	2,580	(19)	3,647	(14)	900	7,094
To record due from other governments	-	(96)	-	-	-	(96)
To reduce expenditures to actual	17,216	-	-	-	-	17,216
Total restatement	19,796	(115)	3,647	(14)	900	24,214
Restated fund balance as of June 30, 2013	\$ 22,501	\$ 17,836	\$ 4,485	\$ 1,903	\$ 46,281	\$ 93,006

	Private Purpose Fund
Fund balance, June 30, 2013, per audited financial statements	\$ 66,415
To reconcile cash to bank balance	4,362
To record expenses in proper period	752
Total restatement	5,114
Restated fund balance as of June 30, 2013	\$ 71,529

	Government Wide
Net position, June 30, 2013, per audited financial statements	\$ 4,500,190
Fund restatements, included above	(4,776)
To record fixed assets purchases made in FY 2013	4,621
To record additional depreciation	(812)
Total restatement	(967)
Restated net position, June 30, 2013	\$ 4,499,223

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Notes to the Financial Statements
For the Year Ended June 30, 2014

11. Restatement (continued)

The previous adjustments decreased the fund balances for governmental funds by \$4,776, increased the fiduciary funds by \$5,114, and decreased the net position of the District by \$967 for the year ended June 30, 2013. The restatements had no impact on the current year change in net position.

12. Encumbrances

The District records encumbrances as an extension of formal budgetary integration for the General Fund. As of June 30, 2014, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Encumbrances included in the general fund assigned fund balance as of June 30, 2014 are \$35,941.

13. Donated Food Commodities

The District received UDA food commodities during the fiscal year in the amount of \$6,614. Corresponding revenue and expense amounts were recorded at their estimated fair market value and are included in the government-wide statement of activities.

REQUIRED SUPPLEMENTAL INFORMATION

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69**Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund and Retirement Fund
For the Year Ended June 30, 2014**

	General Fund		
	Original Budget	Final Budget	Actual
Revenues:			
District tax-levies	\$ 824,752	\$ 824,752	\$ 816,296
Investment interest	2,332	2,332	2,605
County	-	-	-
State of Montana	1,051,164	1,064,811	1,064,811
Federal	-	-	-
Other revenue sources	627	627	35,824
	<hr/>	<hr/>	<hr/>
Total revenues	1,878,875	1,892,522	1,919,536
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
Instruction	1,124,984	1,228,164	1,144,182
Support services	85,672	85,672	87,134
General administration	313,897	313,897	319,254
Operations and maintenance	213,804	213,804	217,453
Student transportation	51,326	51,326	52,202
Food services	2,428	2,428	2,469
Extracurricular	80,982	80,982	82,364
Capital outlay	5,781	5,781	5,880
	<hr/>	<hr/>	<hr/>
Total expenditures	1,878,875	1,982,055	1,910,938
	<hr/>	<hr/>	<hr/>
Revenues over expenditures	\$ -	\$ (89,533)	\$ 8,598
	<hr/>	<hr/>	<hr/>

See Independent Auditors' Report

The accompanying notes are an integral part of the required supplemental information.

	<u>Retirement Fund</u>	
	<u>Original & Final Budget</u>	<u>Actual</u>
Revenues:		
Investment interest	\$ -	\$ 287
County	<u>264,878</u>	<u>264,878</u>
 Total revenues	 <u>264,878</u>	 <u>265,165</u>
Expenditures:		
Current:		
Instruction	235,047	223,747
Support services	12,171	11,586
General administration	28,702	27,322
Operations and maintenance	11,891	11,319
Student transportation	10,223	9,732
Food services	7,117	6,775
Extracurricular	<u>8,523</u>	<u>8,113</u>
 Total expenditures	 <u>313,674</u>	 <u>298,594</u>
Revenues over (under) expenditures	<u>\$ (48,796)</u>	<u>\$ (33,429)</u>

See Independent Auditors' Report
The accompanying notes are an integral part of the required supplemental information.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Employee Group Benefit Plan – Other Post Employment Benefits (OPEB)
For the Year Ended June 30, 2014

Schedule of Funding Progress

Fiscal Year		2014	2013	2012
Actuarial Valuation Date		June 30, 2013	June 30, 2013	June 30, 2010
Actuarial Value of Assets	(a)	-	-	-
Actuarial Accrued Liability (AAL)	(b)	625,100	625,100	221,187
Unfunded AAL (UAAL)	(b-a)	625,100	625,100	221,187
Funded Ration (%)	(a/b)	0%	0%	0%
Annual Covered Payroll	(c)	989,768	1,428,357	1,425,196
UAAL as a Percentage of Covered Payroll	(b-a/c)	63%	44%	16%

History of Net OPEB Obligation

Fiscal Year Ended		June 30, 2014	June 30, 2013	June 30, 2012
Age Adjusted Contribution		\$ -	\$ -	\$ -
Percentage of Annual OPEB Cost Contributed		0.0%	0.0%	0.0%
Net OPEB Obligation		\$ 343,486	\$ 215,352	\$ 87,218

See Independent Auditors' Report
The accompanying notes are an integral part of the required supplemental information.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Notes to Required Supplemental Information
For the Year Ended June 30, 2014

1. Budgets

State law permits the inclusion of obligations for construction in progress and obligations for the purchase of personal property as expenditures for budget purposes (MCA 20-9-121). Because inclusion for these obligations is required for budgetary purposes, they have been included in expenditures in the statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual- Governmental Funds. The difference between this presentation and GAAP basis is disclosed below:

	<u>General Fund</u>
Expenditures - Budget Basis	\$ 1,910,938
Change in Encumbrances	<u>13,355</u>
Expenditures - GAAP Basis	<u>\$ 1,924,293</u>

Budget authority may be transferred between expenditure classifications within the same fund. Budgeted amounts shown are the original and final budgeted amounts and reflect line item budget transfers within the funds during the year (if any).

A budget has not been adopted for the Miscellaneous Programs fund because the school is not legally required to have a budget for the fund. Accordingly, budgetary comparison information is not presented for it.

2. Other Post Employment Benefits (OPEB)

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. This schedule is based on actuarial values as of June 30, 2013.

See Independent Auditors' Report
The accompanying notes are an integral part of the required supplemental information.

**SUPPLEMENTAL INFORMATION REQUIRED BY THE
MONTANA OFFICE OF PUBLIC INSTRUCTION**

Montana's Office of Public Instruction mandates that certain information be included in a school district's annual financial statements. These items include: schedule of enrollment and detail of student extracurricular funds by activity.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69**Schedule of Enrollment****For the Year Ended June 30, 2014**

<u>ENROLLMENT</u>	<u>PER ENROLLMENT RECORDS</u>	<u>AUDIT PER DISTRICT RECORDS</u>	<u>DIFFERENCE</u>
Fall Enrollment			
Elementary School District			
Pre-K-6:			
Pre-Kindergarten	0	0	0
Kindergarten - Half (enrolled 180+ hours per year)	0	0	0
Kindergarten - Half (enrolled <180 hours per year)	0	0	0
Grades K(Full) - 6 (enrolled 360+ hours per year)	168	168	0
Grades K(Full) - 6 (enrolled 180-359 hours per year)	0	0	0
Grades K(Full) - 6 (enrolled <180 hours per year)	0	0	0
7-8:			
Grades 7 - 8 (enrolled 360+ hours per year)	28	28	0
Grades 7 - 8 (enrolled 180-359 hours per year)	0	0	0
Grades 7 - 8 (enrolled <180 hours per year)	0	0	0
Total Elementary	196	196	0
High School District			
9-12:			
Grades 9 - 12 (enrolled 360+ hours per year)	54	54	0
Grades 9 - 12 (enrolled 180-359 hours per year)	0	0	0
Grades 9 - 12 (enrolled <180 hours per year)	0	0	0
Total High School	54	54	0
19 Year-olds included in Grades 9-12 above	0	0	0
Job Corps Students included in Grades 9-12 above	0	0	0

See Independent Auditors' Report

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69**Schedule of Enrollment (continued)****For the Year Ended June 30, 2014**

<u>ENROLLMENT</u>	<u>PER ENROLLMENT RECORDS</u>	<u>AUDIT PER DISTRICT RECORDS</u>	<u>DIFFERENCE</u>
Winter Enrollment			
Elementary School District			
Pre-K-6:			
Pre-Kindergarten	0	0	0
Kindergarten - Half (enrolled 180+ hours per year)	0	0	0
Kindergarten - Half (enrolled <180 hours per year)	0	0	0
Grades K(Full) - 6 (enrolled 360+ hours per year)	164	164	0
Grades K(Full) - 6 (enrolled 180-359 hours per year)	0	0	0
Grades K(Full) - 6 (enrolled <180 hours per year)	0	0	0
7-8:			
Grades 7 - 8 (enrolled 360+ hours per year)	28	28	0
Grades 7 - 8 (enrolled 180-359 hours per year)	0	0	0
Grades 7 - 8 (enrolled <180 hours per year)	0	0	0
Total Elementary	192	192	0
High School District			
9-12:			
Grades 9 - 12 (enrolled 360+ hours per year)	51	51	0
Grades 9 - 12 (enrolled 180-359 hours per year)	0	0	0
Grades 9 - 12 (enrolled <180 hours per year)	0	0	0
Total High School	51	51	0
19 Year-olds included in Grades 9-12 above	0	0	0
Job Corps Students included in Grades 9-12 above	0	0	0

See Independent Auditors' Report

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69**Schedule of Enrollment (continued)****For the Year Ended June 30, 2014**

<u>ENROLLMENT</u>	<u>PER ENROLLMENT RECORDS</u>	<u>AUDIT PER DISTRICT RECORDS</u>	<u>DIFFERENCE</u>
Spring Enrollment			
Elementary School District			
Pre-K-6:			
Pre-Kindergarten	0	0	0
Kindergarten - Half (enrolled 180+ hours per year)	0	0	0
Kindergarten - Half (enrolled <180 hours per year)	0	0	0
Grades K(Full) - 6 (enrolled 360+ hours per year)	168	168	0
Grades K(Full) - 6 (enrolled 180-359 hours per year)	0	0	0
Grades K(Full) - 6 (enrolled <180 hours per year)	0	0	0
7-8:			
Grades 7 - 8 (enrolled 360+ hours per year)	27	27	0
Grades 7 - 8 (enrolled 180-359 hours per year)	0	0	0
Grades 7 - 8 (enrolled <180 hours per year)	0	0	0
Total Elementary	195	195	0
High School District			
9-12:			
Grades 9 - 12 (enrolled 360+ hours per year)	53	53	0
Grades 9 - 12 (enrolled 180-359 hours per year)	0	0	0
Grades 9 - 12 (enrolled <180 hours per year)	0	0	0
Total High School	53	53	0
19 Year-olds included in Grades 9-12 above	0	0	0
Early Graduates	0	0	0
Job Corps Students included in Grades 9-12 above	0	0	0

See Independent Auditors' Report

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Schedule of Cash Collected and Disbursements and Transfers – Extracurricular Funds
For the Year Ended June 30, 2014

	Balance June 30, 2013	Revenue	Expenditures	Transfers In (Out)	Balance June 30, 2014
Elementary Playground	\$ 4,817	\$ 465	\$ -	\$ 263	\$ 5,545
7th Grade Bank	73	637	(133)	(73)	504
8th Grade Bank	80	367	(195)	(6)	246
Freshman Bank	545	2,074	(50)	(2,058)	511
Sophomore Bank	1,897	816	(107)	(1,352)	1,254
Junior Bank	2,388	6,989	(3,999)	(492)	4,886
Senior Bank	403	6,999	(9,527)	2,125	-
General Activities	3,006	751	-	-	3,757
Special Projects	589	2,738	(2,687)	-	640
Student Council	798	1,543	(1,873)	23	491
Resale Bank	752	402	(1,154)	-	-
General Athletics	6,948	9,599	(10,249)	-	6,298
General Revolving	778	1	(27)	(404)	348
Annual	409	2,640	(836)	1	2,214
Drama	2,209	733	(618)	-	2,324
International Club	1,826	2,763	(2,560)	1,593	3,622
Close-Up	1,523	25,687	(27,185)	(25)	-
Cross Country Ski	1,444	200	(2,049)	405	-
Business Professionals of America	-	1,620	(1,479)	-	141
Total cash basis	<u>\$ 30,485</u>	<u>\$ 67,024</u>	<u>\$ (64,728)</u>	<u>\$ -</u>	<u>\$ 32,781</u>

See Independent Auditors' Report

INTERNAL CONTROL AND COMPLIANCE SECTION



RUDD & COMPANY^{INC.}

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
West Yellowstone School District No. 69

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 West Yellowstone School District No. 69 ("the District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise West Yellowstone School District No. 69's basic financial statements, and have issued our report thereon dated February 13, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses at 2014-1 to be a material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses at 2014-2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standard* and which is described in the schedule of findings and responses as item 2014-3.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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.

Rudd + Company, PLLC

Bozeman, Montana
February 13, 2015

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Schedule of Findings and Responses and Summary of Prior Year Audit Findings
For the Year Ended June 30, 2014

Material Weakness

2014-1 Lack of Supporting Documentation

Criteria

Supporting documentation for expenses incurred and paid by the District should be readily available for review based on the internal control processes in place at the District.

Condition

Expense transactions from the first six months of the fiscal year were missing supporting documentation.

Context

Accounting records for two expense transactions for a total of \$213 were not provided. The District also did not readily have on hand supporting documentation for approximately 15 additional transactions that occurred between July 2013 and December 2013. However, the business manager was able to obtain supporting documentation for these expenses from the respective vendors.

Effect

Expenses paid by the District were unsubstantiated.

Recommendation

We recommend that the District maintain supporting documentation for all expenses incurred and paid by the District to meet the requirements of their internal control policies.

District Response

The District has maintained files starting in January 2014 of all expenses paid by the District and will retain documentation for such expenses.

Significant Deficiency

2014-2 Lack of Approval of Expenses

Criteria

Expenses are reviewed by the Board of Trustees and signed by an authorized individual prior to payment in accordance with the District's internal control policies.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Schedule of Findings and Responses and Summary of Prior Year Audit Findings
For the Year Ended June 30, 2014

Condition

Second check runs were completed throughout the year that were not reviewed by the Board of Trustees prior to payment.

Context

The District prints a small number of checks each month in a second check run after the Board meeting and stamps the checks with the signature of a member of the Board of Trustee's. The expenses are reviewed by the Board after they are mailed. This secondary check run consist of approximately 15 checks per month.

Effect

Expenses paid by the District were not authorized by the Board of Trustees before payment.

Recommendation

We recommend that the District receives Board approval for all expenses before they are paid regardless of the timing of Board meetings.

District Response

The District will obtain Board approval of all expenses paid prior to deliverance of payment.

State of Montana Compliance Finding

2014-3 Extracurricular Accounts

Criteria

The State of Montana requires that extracurricular accounts only include student-related activities.

Condition

Non-student activities were included in extracurricular accounts.

Context

The District included non-student activities in extracurricular accounts. The accounts included are general activities, resale bank, general revolving, special projects and annual. The total revenue recorded in these funds was \$6,532 for the year ended June 30, 2014.

WEST YELLOWSTONE SCHOOL DISTRICT NO. 69
Schedule of Findings and Responses and Summary of Prior Year Audit Findings
For the Year Ended June 30, 2014

Effect

The District is not in compliance with the MASBO Student Activity Handbook per Board policy.

Recommendation

We recommend that the District transfer the non-student accounts from extracurricular accounts to the general fund in order to comply with the State of Montana.

District Response

The District will review the extracurricular accounts and remove any non-student related activities.

Prior Year Findings:

2013-1 – Unrecorded Accounts Payable

Status – Implemented

2013-2 – Managerial Review of Journal Vouchers

Status – Implemented

2013-3 Trustee’s Financial Summary Reporting

Status – Partially Implemented

2013-4 Internal Control

Status – See Finding 2014-1

2013-5 Due from Other Governments

Status – Implemented

2013-6 Budget Reporting and Exceeding Budget

Status – Implemented

2013-7 Compensated Absences Fund Balance

Status – Implemented