



Yellowstone Academy School District No. 58

Billings, Montana

**Independent Auditor's Report and
Financial Statements**

June 30, 2014

Yellowstone Academy School District No. 58

Independent Auditor's Report and Financial Statements

June 30, 2014

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Yellowstone Academy School District No. 58

Organization – Board of Trustees and Officials

June 30, 2014

BOARD OF TRUSTEES

John Dailey
Chelsea Mandler
James Holliday

Chairman
Vice Chairman
Trustee

OFFICIALS

Mike Sullivan
Roger Heimbigner
Scott Twito
Sherry Long
Sherry Long

District Superintendent
District Clerk
County Attorney
County Superintendent of Schools
County Treasurer

Yellowstone Academy School District No. 58

Management's Discussion and Analysis

June 30, 2014

The Superintendent and Clerk of Yellowstone Academy, SD #58, have provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the year covered by this audit report.

Financial Highlights

Day School revenue generated in 2013-2014 included revenue from the Extended School Year (summer 2013) and the regular 2013-2014 academic year.

Revenue for the 2013 Extended School Year (ESY) was \$76,600 as compared to \$52,000 from the 2012 ESY. There was a 10% tuition increase from the 2012 ESY to the 2013 ESY - the increase of \$24,600 in revenue was attendance plus tuition increase. Revenue for the 2014 ESY program is \$95,370 based on attendance increases.

Revenue received for Day School for the 2013-14 school year was less than the 2012-13 school year by \$14,850.

The average daily census for Yellowstone Boys and Girls Ranch's (YBGR) residential program for the fiscal year, including both the 2012 Extended School Year and the 2012-2013 academic year, was 65.5, yielding \$1,000,000 in education fees paid to Yellowstone Academy (YA) by YBGR. The average daily census decreased by .20 from the 2012-13 average of 65.7. The amount paid by YBGR decreased by \$400,000 from 2012-13.

The YBGR Foundation contributed \$100,000 to help finance the Vo-Ed Program.

Yellowstone Academy School District No. 58

Management's Discussion and Analysis - Continued

Federal and State Entitlements, including from OPI, in the amount of \$235,665 were received. This was an increase of about \$26,846 from the previous year due to the spending carryover dollars from Title 1 monies in the 13-14 school year and an increase in CSCT dollars from Medicaid billing. These increases in revenues were offset by increases in expenditures in these grants.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district;

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the district's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of district, reporting the district's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services were financed in the short term as well as what remains for future spending. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains the financial statements with a comparison of the district's budget for the year.

Yellowstone Academy School District No. 58

Management's Discussion and Analysis - Continued

Financial Analysis of the District as a Whole

Net Position. The district's combined net position increased by \$102,307. This increase was due to the accounting of tuition in the year earned. YBGR decreased contribution to the Yellowstone Academy \$400,000 per year for the 2013-14 school year. Yellowstone Academy has used their cash years to compensate for this loss in revenue source in the past couple fiscal years and YBGR increased this contribution in the 2012-13 school year. For school year 2013-14, YBGR returned their contribution to \$1,000,000. For school year 2014-15, YBGR reduced their contribution to \$600,000. Expenses for the 2013-14 school year have decreased by \$424,918 from the 2012-13 school year. Revenues for the 2013-14 school year have decreased by \$942,327 during this same time period –decreased contribution of \$400,000 from YBGR and accounting change of tuition earned in 12-13 (accounting change) make up most of the decrease in revenue.

Yellowstone Boys and Girls Ranch (YBGR), owns the land and both the Kathleen Casper Education Building and Heptner Building. YBGR also takes care of the repairs and maintenance on both buildings. Yellowstone Academy (YA) has purchased and owns most of the classroom and office equipment and furnishings, included in the "Net Investment in Capital Assets".

Yellowstone Academy School District No. 58

Management's Discussion and Analysis - Continued

Condensed Statement of Net Position

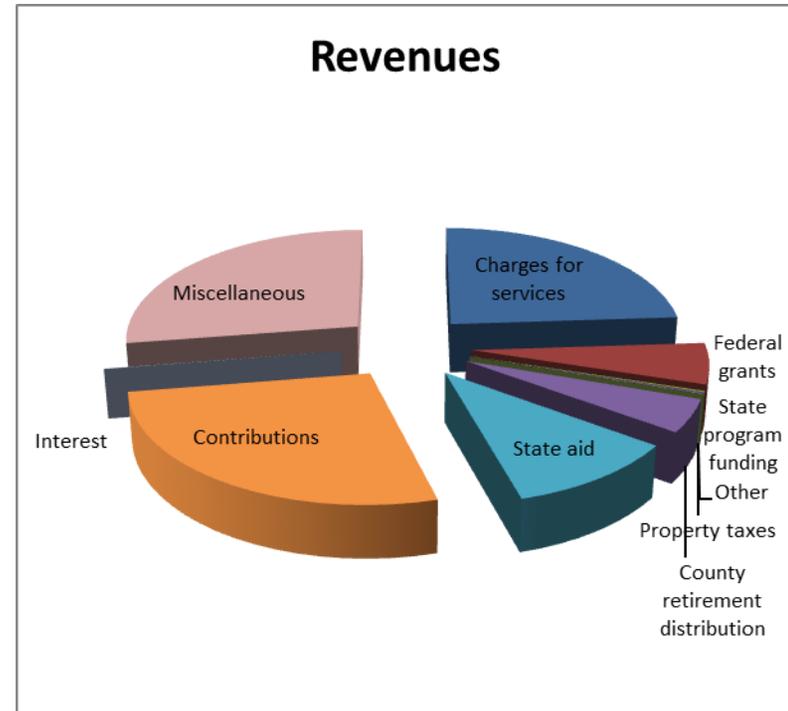
<u>Net Position:</u>	<u>2014</u>	<u>2013</u>
Current assets	\$ 922,296	\$ 801,514
Capital assets - net	<u>10,502</u>	<u>13,280</u>
Total assets	<u>932,798</u>	<u>814,794</u>
Current liabilities	7,937	6,367
Non-current liabilities	<u>71,431</u>	<u>57,304</u>
Total liabilities	<u>79,368</u>	<u>63,671</u>
Net position:		
Net investment in capital assets	10,502	13,280
Restricted for:		
Compensated absences	583	1,576
Other fund activities	911,802	791,045
Unrestricted	<u>(69,457)</u>	<u>(54,778)</u>
Total net position	<u>\$ 853,430</u>	<u>\$ 751,123</u>

Yellowstone Academy School District No. 58

Management's Discussion and Analysis - Continued

Changes in Net Position from Operating Results

Revenues:	2014	2013
Program Revenues:		
Charges for services	\$ 938,670	\$ 1,378,750
Federal grants	229,758	200,838
State program funding	7,907	7,981
Other	7,907	7,980
Total Program Revenues	1,184,242	1,595,549
General Revenues:		
Property taxes	418	392
County retirement distribution	184,589	177,967
State aid	420,946	420,584
Contributions	1,051,191	1,503,719
Interest	1,373	855
Miscellaneous	1,075,447	1,161,467
Total General Revenues	2,733,964	3,264,984
Total Revenues	3,918,206	4,860,533

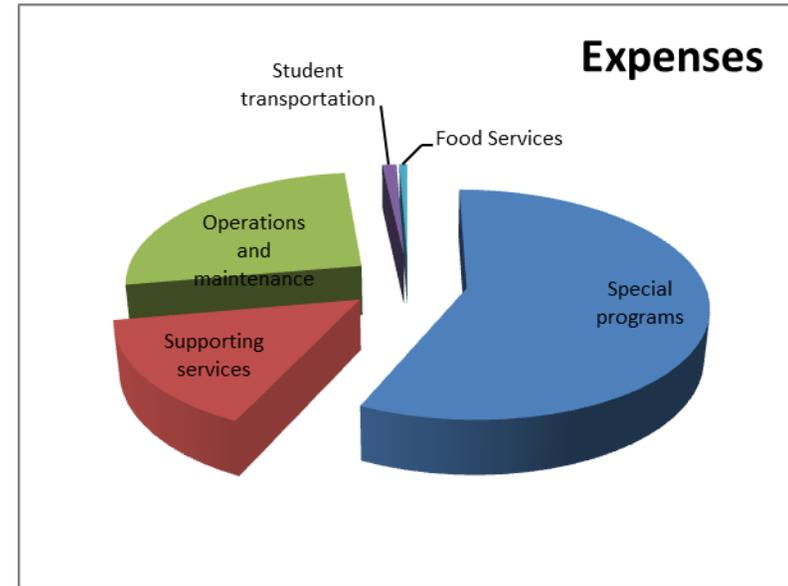


Yellowstone Academy School District No. 58

Management's Discussion and Analysis - Continued

Expenses:

	<u>2014</u>	<u>2013</u>
Special programs	2,170,242	2,416,309
Supporting services	586,409	682,892
Operations and maintenance	992,095	1,085,330
Student transportation	43,635	34,806
Food Services	<u>23,518</u>	<u>21,480</u>
Total Expenses	<u><u>3,815,899</u></u>	<u><u>4,240,817</u></u>



Explanation of Net Position, Direct state aid, interest, Federal and state entitlements, Day School, Billings Clinic Psychiatric Center, fees paid by YBGR.

Yellowstone County monies and a grant from the YBGR Foundation made up the revenues.

Capital Assets are machinery/equipment items that have a value of at least \$5,000.

The total cost of all programs. The district's expenses are predominantly related to instructing, caring for (pupil services) and transporting students. The total costs of salaries and benefits amounted to 83% of the total.

Yellowstone Academy School District No. 58

Management's Discussion and Analysis - Continued

Financial Analysis of the District's Funds

The financial performance of the district as a whole is reflected in its governmental funds. As the district completed this year, its governmental funds reported combined fund balance of \$922,296, \$120,782 above last year's ending fund 801,514.

The district's miscellaneous programs fund, fund 115, had about \$56,952 more in Due From Other Government revenues in 2012-13, contributing to the decrease in total net Position for 2013-14.

Capital Asset and Debt Administration

At June 30, 2014, Yellowstone Academy SD #58 had \$56,794 in equipment, which had accumulated depreciation of \$46,292. The capitalization policy of Yellowstone Academy SD #58 is \$5,000.

The long-term portion of the district's compensated absences liability is \$71,431.

Budgetary Highlights

The actual results for the year show revenues exceeding expenditures by slightly more than \$120,782.

In the year ended June 30, 2014, approximately 87% of Day School revenues were deposited in the Miscellaneous Programs Fund, fund 115. In the General Fund, fund 101, Day School monies are used to fund the permissive levy and used to fund the over base levy as well to meet the maximum budget allowed by law.

In the General Fund and Transportation, the budget was nearly all spent. The Retirement Fund budget had money left to build up a reserve balance for future years.

Yellowstone Academy School District No. 58

Management's Discussion and Analysis - Continued

The budgetary comparison schedules on page 36 show how actual expenditures compared to the original and final budgeted expenditures for the funds.

Factors Bearing on The District's Future

The teachers' master agreement was ratified for 2013-2015. The certified salary increase was 1% on the base salary for school years 2013-14 and 2014-15. The classified master agreement was ratified for 2013-14. The wage increase for the classified staff was 2% on their 2012-13 hourly rates. The 2014-15 agreement has not been settled.

The classified master and certified agreements will again be negotiated for 2015-16 during the 2014-15 school year.

Yellowstone Academy, School District #58, exists to educate the youth who come to YBGR for residential treatment. YBGR has set an annual fee for the 2014-15 school year.

YA serves troubled students from surrounding school districts as day students. The number of students in the program is beyond the control of YA.

The Government's Future

The Yellowstone Academy works with YBGR to provide service to students treatment and day school students. The contribution from YBGR to help fund the Yellowstone Academy is a critical number is services that the Yellowstone Academy can provide to the students in the program. In 2012-13 YBGR increased the contribution to \$1,400,000 for one year and then decreased this contribution to \$1,000,000 for the 2013-14 school year. YBGR further reduced this contribution to \$600,000 for the 2014-15 school year. The Yellowstone Academy year reduced personnel for the 2014-15 school year and will need to monitor funding sources for the 2015-16 school year to determine if projected revenues will meet the expenditure needs.

Yellowstone Academy School District No. 58

Management's Discussion and Analysis - Continued

Day School numbers are a critical part of the funding process Yellowstone Academy. For 2013-14 the Day School average number was about 48 students. Tuition from Day School is collected in so additional revenues from increased student enrollment would not be impacted until the 2014-15 school year. The board increased the daily rate from \$100 per day to \$110 per day to increase revenues for the 2013-14 school year. It is important to keep Day School numbers in the 50-60 student range to maintain current personnel and services if YBGR continues to only fund \$600,000 per year. If Day School numbers drop, then services will need to be looked at from an expenditure standpoint.

Contacting the District's Financial Management

This financial report is designed to provide the district's citizens with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School District Clerk's Office, located in Yellowstone Academy.

Independent Auditor's Report

February 24, 2015

Board of Trustees
Yellowstone Academy
Yellowstone County
Billings, Montana

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 Yellowstone Academy School District No. 58, Yellowstone County, Billings, Montana, (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

The District's 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.

Yellowstone Academy School District No. 58

Independent Auditor's Report - Continued

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 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 conformity with accounting principles generally accepted in the United States of America.

Yellowstone Academy School District No. 58

Independent Auditor's Report - Continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as 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 Schedule of Reported Enrollment is presented for purposes of additional analysis and is not a required part of the basic financial statements.

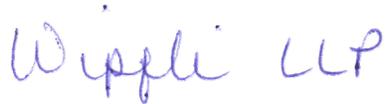
The Schedule of Reported Enrollment is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Reported Enrollment is fairly stated, in all material respects, in relation to the financial statements as a whole.

Yellowstone Academy School District No. 58

Independent Auditor's Report - Continued

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Wipfli LLP
Billings, Montana

Yellowstone Academy School District No. 58

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position

June 30, 2014

ASSETS:

Cash and Cash Equivalents	471,583
Due from Other Governments	450,713
Capital Assets, net of Accumulated Depreciation	10,502
Total Assets	<u>932,798</u>

LIABILITIES:

Due within One Year:	
Compensated Absences	7,937
Due in more than One Year	
Compensated Absences	71,431
Total Liabilities	<u>79,368</u>

NET POSITION:

Net Investment in Capital Assets	10,502
Restricted for:	
Compensated Absences	583
Other Fund Activities	911,802
Unrestricted	(69,457)
Total Net Position	<u>853,430</u>

Yellowstone Academy School District No. 58

Basic Financial Statements - Continued

Statement of Activities

For the Year Ended June 30, 2014

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
Primary Government				
Instruction:				
Special Programs	2,170,242	938,670	229,758	(1,001,814)
Supporting Services	586,409	0	0	(586,409)
Operations & Maintenance	992,095	0	0	(992,095)
Student Transportation	43,635	0	15,814	(27,821)
Food Services	23,518	0	0	(23,518)
Total Governmental Activities	<u>3,815,899</u>	<u>938,670</u>	<u>245,572</u>	<u>(2,631,657)</u>
General Revenues:				
Property taxes, levied for general purposes				418
County Retirement Distribution				184,589
State Aid				420,946
Interest				1,373
Contributions				1,051,191
Miscellaneous				<u>1,075,447</u>
Total General Revenues				<u>2,733,964</u>
Change in Net Position				102,307
Net Position - beginning				<u>751,123</u>
Net Position - ending				<u><u>853,430</u></u>

Yellowstone Academy School District No. 58

Basic Financial Statements - Continued

Fund Financial Statements

Balance Sheet – Governmental Funds

June 30, 2014

	<u>General Fund</u>	<u>Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	9,911	401,745	59,927	471,583
Due from other governments	0	450,713	0	450,713
Total assets	<u>9,911</u>	<u>852,458</u>	<u>59,927</u>	<u>922,296</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Fund balances:				
Restricted for:				
Compensated absences	0	0	583	583
Other fund activities	0	852,458	59,344	911,802
Unassigned	9,911	0	0	9,911
Total fund balances	<u>9,911</u>	<u>852,458</u>	<u>59,927</u>	<u>922,296</u>
Total liabilities, deferred inflows of resources and fund balances	<u>9,911</u>	<u>852,458</u>	<u>59,927</u>	<u>922,296</u>

Yellowstone Academy School District No. 58

Basic Financial Statements - Continued

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position

June 30, 2014

Total fund balance, governmental funds	922,296
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

10,502

Some liabilities, (such as Compensated Absences), are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

(79,368)

Net Position of Governmental Activities in the Statement of Net Position

853,430

Yellowstone Academy School District No. 58

Basic Financial Statements - Continued

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property Taxes for General Purposes	418	0	0	418
Tuition	117,891	820,779	0	938,670
Intergovernmental:				
County	0	0	192,496	192,496
State	372,905	47,152	8,796	428,853
Federal	0	229,758	0	229,758
Interest on Investments	457	916	0	1,373
Other	34	2,126,604	0	2,126,638
Total Revenues	<u>491,705</u>	<u>3,225,209</u>	<u>201,292</u>	<u>3,918,206</u>
EXPENDITURES				
Current:				
Instruction	382,347	1,652,269	127,777	2,162,393
Supporting Services	108,340	437,265	30,178	575,783
Operations and Maintenance	0	988,810	3,285	992,095
Student Transportation	0	24,857	18,778	43,635
Food Services	0	23,518	0	23,518
Total Expenditures	<u>490,687</u>	<u>3,126,719</u>	<u>180,018</u>	<u>3,797,424</u>
Excess (deficiency) of revenues over expenditures	1,018	98,490	21,274	120,782
Fund balances - beginning	<u>8,893</u>	<u>753,968</u>	<u>38,653</u>	<u>801,514</u>
Fund balances - ending	<u>9,911</u>	<u>852,458</u>	<u>59,927</u>	<u>922,296</u>

Yellowstone Academy School District No. 58

Basic Financial Statements - Continued

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to Government-Wide Statement of Activities

For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds: 120,782

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

(2,778)

Statement of activities report expenses that the governmental funds do not and are not reported as expenditures in the governmental funds:

(Increase)/Decrease in Compensated absences

(15,697)

Change in net position of governmental activities

102,307

Yellowstone Academy School District No. 58

Notes to Financial Statements

For the Year Ended June 30, 2014

Note A - Description of the School District and Reporting Entity

1 Reporting Entity

Yellowstone Academy School District No. 58 was established under Montana law to provide educational services below the college and university level to residents of the District. The District is managed by a central Board of Trustees, elected in a district-wide election, and by an administration appointed by and responsible to the Board.

The criteria for including organizations within the District's reporting entity are set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity." This statement defines the financial reporting entity as the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such financial accountability which would result in the District being considered a component unit of the entity.

Yellowstone County provides substantial services to the District; cash collections and warrant redemption all flow through the office of the County Treasurer. This office also maintains the District's cash and invests funds at the direction of the District. The County Commissioners have the legal obligation to set levy amounts to finance the budget of the District, as directed by the Board of Trustees. Despite the degree of services rendered, the District has determined that neither Yellowstone County nor any other outside agency meets the criteria set forth in the preceding paragraph and therefore, no other agency has been included as a component unit of the District's financial statements.

Yellowstone Academy School District No. 58

Notes to Financial Statements - Continued

Note B Summary of Significant Accounting Policies

The financial statements of Yellowstone Academy School District No. 58 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District's significant accounting policies are described below:

1. Basis of Presentation

a. Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities show information about the overall financial position and activities of the District.

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

Yellowstone Academy School District No. 58

Notes to Financial Statements - Continued

b. Fund Financial Statements

The District uses funds to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate fund types. The District has no proprietary or fiduciary funds. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds.

2 Governmental Funds

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It accounts for resources traditionally associated with government operations which are not required to be accounted for in another fund.

Miscellaneous Programs - Authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state or federal grants and reimbursements. Donations and expendable trusts for scholarships or other purposes that support district programs are deposited in this fund.

Yellowstone Academy School District No. 58

Notes to Financial Statements - Continued

3 Basis of Accounting and Measurement Focus

a. Government-Wide Financial Statements

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

a. Fund Financial Statements

Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District recognizes property taxes as a receivable at the time an enforceable legal claim is established and considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Those revenues susceptible to accrual are special assessments, grants, interest revenue, and charges for services. Capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Yellowstone Academy School District No. 58

Notes to Financial Statements - Continued

The District reports unavailable revenue as deferred inflows of resources and advances from grantors as liabilities on its government-wide Statement of Net Position and on its Balance Sheet - Governmental Funds. Unavailable revenues and advances from grantors arise when potential revenue does not meet both the 'measurable' and 'available' criteria for recognition in the current period. Unavailable revenues and advances from grantors also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the deferred inflow of resources for unavailable revenue and liability for advances from grantors are removed from the balance sheet and revenue is recognized.

4 Cash and Investments

Cash resources of the District are combined with cash resources of other school districts within Yellowstone County to form a pool of cash and cash equivalents that is managed by the Yellowstone County Treasurer. Investments of the pooled cash consist primarily of certificates of deposit and repurchase agreements, and are carried at cost, which approximates fair value. Among the instruments which state statutes authorize the District to invest in are direct obligations of the United States government; in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA located in the state; in a repurchase agreement or the Montana short-term investment pool. Interest income received as a result of pooling is distributed to the appropriate district utilizing a formula based on the respective district's previous month's ending balance of cash and cash equivalents. The County Treasurer then distributes interest income to each fund utilizing a formula based on the fund's previous month's ending balance of cash and cash equivalents.

The District issues warrants in payment of its obligations. When the warrants are presented to the County Treasurer, the District's cash balance is reduced to pay the warrant. The cash and warrants payable for the payroll and claims clearing agency funds are netted for reporting purposes.

Yellowstone Academy School District No. 58

Notes to Financial Statements - Continued

The cash and warrants payable in the payroll and claims clearing accounts are as follows:

	Payroll Clearing	Claims Clearing
Cash	<u>50,382</u>	<u>1,024</u>
Warrants payable	<u>50,382</u>	<u>1,024</u>

Information regarding the collateral and security for cash and cash equivalents is not available to the District. Montana state statute requires that collateral to secure deposits of public funds be held in direct obligations of the United States government or its agencies.

5 Capital Assets

Capital assets, including land, buildings, improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or more. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Improvements and machinery and equipment are depreciated using the straight-line depreciation method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Machinery and Equipment	5-20 Years
Building and Improvements	15-50 Years

Yellowstone Academy School District No. 58

Notes to Financial Statements - Continued

6 Short-term Interfund Receivables and Payables

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

7 Compensated Absences

All full-time District employees accumulate vacation and/or sick leave hours for later use or for payment upon termination, death or retirement. Vacation and sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the District will compensate the employees for the benefits through paid time off or some other means. The compensated absences liability fund is used to pay the accumulated vacation and/or sick leave of a non-teaching employee upon termination, death or retirement. Such reserve may not exceed 30% of the District's recorded liability for accumulated sick leave and 30% of accumulated vacation leave for non-teaching or administrative employees.

8 Deferred Inflows of Resources

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 that applies to a future period(s) and so will not be recognized as an inflow in resources (revenue) until that time. The District has only one type of item, which arises under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly the item, unavailable tax revenue is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Yellowstone Academy School District No. 58

Notes to Financial Statements - Continued

9 Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires the fund balance amounts to be reported within one of the fund balance categories listed below.

Nonspendable - Amounts that cannot be spent because they are either (1) not in spendable form (e.g. inventories and prepaid amounts) or (2) legally or contractually required to be maintained intact (e.g. the corpus or principal of a permanent fund).

Restricted - Amounts that can be spent only for a specific purpose pursuant to state law, enabling legislation, grant agreement, or donor agreement.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the School District's Board of Trustees (the District's highest level of decision making authority).

Assigned - Amounts that are intended to be used by the government for specific purposes under the direction of the District Clerk by authority granted by the Board of Trustees.

Unassigned - The residual classification for the government's general fund that includes all amounts that are not contained in the other classifications.

It is the District's policy that for purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Yellowstone Academy School District No. 58

Notes to Financial Statements - Continued

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. All encumbrances are classified as either Assigned fund balance or Committed fund balance. At June 30, 2014, there were no encumbrances.

10 Net Position

Net position represents the residual of assets plus deferred outflows less liabilities and deferred inflows. Net investment in capital assets represents net position in the form of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

11 Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

12 Date of Management Review

Management has evaluated the activities and transactions subsequent to June 30, 2014 to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2014. Management has performed this evaluation through February 24, 2015, the date the financial statements were available to be issued.

Yellowstone Academy School District No. 58

Notes to Financial Statements - Continued

Note C Property Taxes

Property taxes are collected by Yellowstone County who remits to the District their respective share of the collections. The 2013 property tax levy, which was perfected and became a receivable in October 2013, was levied to finance District operations during the year ended June 30, 2014. The tax levy was collectible in November 2013 and May 2014. As of May 31, 2014, uncollected property taxes became delinquent. Property taxes are attached as an enforceable lien on the underlying property. After a period of three years, Yellowstone County, the collecting agent, may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds from Yellowstone County.

All property taxes are recognized in compliance with GASB interpretation "Property Tax Revenue Recognition in Government Funds", which states that such revenue is recorded when it becomes measurable and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Yellowstone Academy School District No. 58

Notes to Financial Statements - Continued

Note D Capital Assets

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
CAPITAL ASSETS BEING DEPRECIATED AT COST:				
Machinery and Equipment	45,057	0	0	45,057
Building and Improvements	<u>11,737</u>	<u>0</u>	<u>0</u>	<u>11,737</u>
	<u>56,794</u>	<u>0</u>	<u>0</u>	<u>56,794</u>
LESS ACCUMULATED DEPRECIATION FOR:				
Machinery and Equipment	38,301	2,250	0	40,551
Building and Improvements	<u>5,213</u>	<u>528</u>	<u>0</u>	<u>5,741</u>
	<u>43,514</u>	<u>2,778</u>	<u>0</u>	<u>46,292</u>
CAPITAL ASSETS, NET	<u>13,280</u>			<u>10,502</u>

Depreciation expense was charged to the functions of the District as follows:

Supportive Services	<u>2,778</u>
Total	<u>2,778</u>

Yellowstone Academy School District No. 58

Notes to Financial Statements - Continued

Note E Long-Term Debt

The following is a summary of changes in current and long-term obligations for the year ended June 30, 2014:

	<u>July 1, 2013</u>	<u>Net Change</u>	<u>June 30, 2014</u>	<u>Due Within One Year</u>	<u>Due Within More than One Year</u>
Compensated Absences Payable	<u>63,671</u>	<u>15,697</u>	<u>79,368</u>	<u>7,937</u>	<u>71,431</u>

The compensated absences liability will be liquidated by several of the governmental funds.

Note F Employee Benefit Plans

1. Plan Description and Provision

All full-time District employees participate in one of two statewide, cost-sharing, multiple-employer retirement benefit plans. Contributions to the two plans are as required by state statute. Information about the two plans is presented below. Total payroll for all District employees for the year ended June 30, 2014 was \$1,931,613.

Yellowstone Academy School District No. 58

Notes to Financial Statements - Continued

Public Employees Retirement System (PERS) - All District employees, except employees who teach on a full-time basis or who are employed in a position in which instructional services are expected to be rendered, are provided pension benefits by a multi-employer plan administered by the State of Montana. Funding is provided by participating units of government and their employees. The District's contribution to this plan for the year ended June 30, 2014 was \$11,385 (7.80% of eligible payroll). The State of Montana contributes .37% of the PERS employees' monthly compensation, which is considered to be an "on behalf" payment. Although generally not a significant amount, the contribution is a part of the PERS funding policy. The District's contribution to this plan represented less than 1% of total contributions required of all participating employers. Required employee contributions to this plan were \$11,531 (7.9% of eligible payroll). Total payroll for employees covered by PERS was \$145,960. One hundred percent of the required contributions were made for the current year and the preceding two years. They were \$22,916, \$21,028, and \$30,412, for the fiscal years ended June 30, 2014, 2013, and 2012, respectively.

Participants become eligible for benefits after age 60 and 5 years of service, after age 65 regardless of service, or 30 years of service regardless of age. The benefit is 1/56 of the final compensation for each year of credited service, paid as a modified cash refund annuity. A participant is eligible for early retirement benefits after age 50 and 5 years of service or after 25 years of service regardless of age. Rights become vested after 5 years of service. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State Legislature.

Teachers' Retirement System (TRS) - All District employees who teach on a full-time basis or are employed in a position in which instructional services are expected to be rendered, are provided pension benefits by a multi-employer plan administered by the State of Montana. Funding is provided by participating units of government and their employees. The District's contribution to this plan for the year ended June 30, 2014 was \$150,502 (8.47% of eligible payroll plus additional contributions). The State of Montana contributes 2.49% of the TRS employees' monthly compensation, which is considered an "on behalf" payment. Although not a significant amount, the contribution is part of the TRS funding policy. The District's contribution to this plan represented less than 1% of total contributions required of all participating employers. Required employee contributions to this plan were \$141,700 (8.15% of eligible payroll plus additional contributions). Total payroll for teaching employees was \$1,727,839. One hundred percent of the required contributions were made for the current year and the preceding two years. They were \$292,202, \$280,818, and \$249,380, for the fiscal years ended June 30, 2014, 2013, and 2012, respectively.

Yellowstone Academy School District No. 58

Notes to Financial Statements - Continued

Participants become eligible for benefits after age 60 or 25 years of service. The benefit is 1/60 of the final compensation for each year of credited service. A participant is eligible for early retirement, with reduced benefits, after age 50 and 5 years of service. Rights become vested after 5 years of service. The authority to establish, amend, and provide cost of living adjustments for the plan is assigned to the State Legislature.

The PERS financial information is reported in the Public Employees Retirement Board's Comprehensive Annual Financial Report for the fiscal year end. It is available from the PERD at 100 North Park Avenue, Suite 200, P.O. Box 200131, Helena, Montana 59620-0131, (406) 444-3154.

The TRS information is reported in the Teachers' Retirement Board's Actuarial Valuation for the fiscal year end. It is available from the TRB at 1500 E. Sixth Avenue, Helena, Montana 59620-0139, (406) 444-3134.

Note G 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. A commercial policy with Western States Insurance Agency transferring all risks of loss, except for relatively small deductible amounts, was purchased for property damage, employee torts and professional liabilities. The District's medical insurance plan is partially self-funded with the Yellowstone Boys and Girls Ranch. Stop loss medical insurance coverage is provided through Intermountain Administration, Inc. The District does not carry separate coverage for environmental damages. The risk of potential loss is low and coverage is not cost beneficial. The District has secured workers' compensation insurance through the Montana State Fund.

Yellowstone Academy School District No. 58

Notes to Financial Statements - Continued

Note H Related Party Transactions

Beginning July 1, 2004, the District and Yellowstone Boys & Girls Ranch (a related party) agreed to a contract for residential treatment tuition. There was no contract with Yellowstone Boys and Girls Ranch for the fiscal year ending June 30, 2014. However, Yellowstone Boys & Girls Ranch provided \$941,667 in education fees during the year ended June 30, 2014.

The District occupies a building rent free owned by Yellowstone Boys & Girls Ranch. Yellowstone Boys & Girls Ranch pays all liability insurance premiums on property and contents. In addition, Yellowstone Boys & Girls Ranch provided the following free of charge to the District:

282,598	Rent on School Building
182,803	Staffing and Supply
104,487	Facility Usage
50,825	Other Direct Costs
<u>263,785</u>	Allocated Overhead Costs
<u>884,498</u>	Total In-Kind Revenue

The fair market value of in-kind expenses in the amount of \$884,498 has been included in revenue and expense in the Miscellaneous Programs Fund.

On August 8, 2007, the District purchased a used bus for \$12,250 and donated the bus that same day to the Yellowstone Boys & Girls Ranch. The District and the Yellowstone Boys & Girls Ranch share the bus to transport students. The district is required to reimburse Yellowstone Boys & Girls Ranch for its share of the fuel, repairs, and maintenance expenses.

Yellowstone Academy School District No. 58

Notes to Financial Statements - Continued

Note I Due From Other Governments

Due from other governments at June 30, 2014 consists of amounts owed to the District from other governmental entities. These consist of the following:

	Total
Miscellaneous Programs Fund	<u>450,713</u>
	<u><u>450,713</u></u>

Note J Economic Dependency

The District received \$938,670 and \$941,667 in tuition and education fees, respectively. In addition, the District received \$884,498 of in-kind from Yellowstone Boys & Girls Ranch (see Note H). This represents 71% of total funding for the year audited. These funds are essential for the District to continue to meet its contractual obligations. A decrease could impair the District's operations.

Note K Contingent Liabilities

The District participates in a number of federally assisted grant programs that are subject to audit and adjustment by the grantors. Such grantor audits of these programs, if any, for or including the year ended June 30, 2014, have not yet been conducted. Accordingly, the District's compliance with applicable grant requirements for those programs if audited by grantor agencies will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.



Required Supplemental Information

Yellowstone Academy School District No. 58

Required Supplemental Information

Budgetary Comparison Schedule

For the Year Ended June 30, 2014

	General Fund	
	ORIGINAL AND FINAL BUDGET	ACTUAL
REVENUES		
Taxes	365	418
Tuition	117,891	117,891
Intergovernmental		
State	372,905	372,905
Interest on investments	87	457
Other	0	34
Total revenues before reappropriations	<u>491,248</u>	<u>491,705</u>
Budget reappropriations	0	
Total revenues and reappropriations	<u>491,248</u>	
EXPENDITURES		
Current:		
Instruction	491,248	382,347
Supportive Services	0	108,340
Total Expenditures	<u>491,248</u>	<u>490,687</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	1,018
Fund balance - beginning (Non-GAAP budgetary basis)		<u>8,893</u>
Fund balance - ending (Non-GAAP budgetary basis)		9,911
Adjustments to generally accepted accounting principles:		
Current year encumbrances included in expenditures		<u>0</u>
Fund balance, ending (GAAP basis)		<u>9,911</u>

Yellowstone Academy School District No. 58

Required Supplemental Information

Notes to Budgetary Comparison Schedule

For the Year Ended June 30, 2014

1. Budgetary Process

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	
Retirement	X	
Miscellaneous Programs		X
Compensated Absences		X
Technology	X	
FlexFund	X	
Fiduciary Funds		
Payroll Clearing		X
Claims Clearing		X

Yellowstone Academy School District No. 58

Required Supplemental Information

Notes to Budgetary Comparison Schedule - Continued

For the Year Ended June 30, 2014

1 Budgets

The District's budget is prepared on the modified accrual basis of accounting, which results in the accounting for certain transactions to be on a basis other than accounting principles generally accepted in the United States of America (modified accrual). The District's accounting records are maintained on the basis of cash receipts and disbursements during the year. At year-end, certain adjustments are made to the District's accounting records to reflect the basis of accounting described above. Reported budget amounts represent the originally adopted budget, including amendments. Total fund expenditures may not legally exceed the budgeted expenditures. The budget lapses at the end of each year. The results of operations, on the budget basis of accounting, described above, are presented in the Budgetary Comparison Schedule to provide a meaningful comparison of actual results with the budget.

General Fund budgets are based on the State of Montana's Foundation Program, which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. Budgeted fund expenditures are limited by State Law to budgeted amounts, which may be amended for emergencies as defined by State Law. Budget authority may be transferred between expenditure classifications within the same fund.

Budgetary policy follows:

- 1) By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property to the County Superintendent of Schools.
- 2) Before the second Monday in August, the County Superintendent estimates revenue by fund and provides this information to the Board of Trustees prior to the final budget meeting.

Yellowstone Academy School District No. 58

Required Supplemental Information

Notes to Budgetary Comparison Schedule - Continued

For the Year Ended June 30, 2014

- 3) 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 District's basis of accounting discussed below.
- 4) Upon adoption of the final budget, expenditures and operating transfers are limited to the total fund budget. Unexpended and unencumbered appropriations lapse at year-end. Under State Law and District Policy, management may amend the budget without seeking Board approval as long as the total individual fund budget is not exceeded.
- 5) Individual fund budgets may only be increased with Board approval, in a manner prescribed by State Law (MCA 20-9-161 through MCA 20-9-166).

Encumbrances outstanding at year-end represent the estimated amount of expenditures ultimately to result if unperformed purchase orders or contracts in process at year-end were completed. They do not constitute expenditures or liabilities and will not until performance is essentially complete. Encumbrances are reported as either Assigned or Committed fund balances on the Balance Sheet – Governmental Funds. Because inclusion of these obligations is required for budgetary purposes, they have been included in expenditures in the Budgetary Comparison Schedule. The difference between this basis of presentation and GAAP basis is reconciled on the face of this statement. The District had no encumbrances for the year ended June 30, 2014.



Supplemental Information

Yellowstone Academy School District No. 58

Supplemental Information

Schedule of Reported Enrollment

For the Year Ended June 30, 2014

<u>Grade</u>	<u>Fall</u>		<u>Winter</u>		<u>Spring</u>	
	<u>Enrollment Per FR-4</u>	<u>Enrollment Per District Record</u>	<u>Enrollment Per FR-4</u>	<u>Enrollment Per District Record</u>	<u>Enrollment Per FR-4</u>	<u>Enrollment Per District Record</u>
K-6	22	22	23	23	26	27
7-8	10	10	12	12	15	14
Totals	32	32	35	35	41	41

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

February 24, 2015

Board of Trustees
Yellowstone Academy School District No. 58
Billings, Montana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Yellowstone Academy as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Yellowstone Academy's basic financial statements, and have issued our report thereon dated February 24, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Yellowstone Academy'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 Yellowstone Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Yellowstone Academy's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as 2014-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Yellowstone Academy's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Yellowstone Academy's Response to Finding

Yellowstone Academy's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Yellowstone Academy'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.



Wipfli, LLP
Billings, Montana

Yellowstone Academy School District No. 58

Schedule of Findings and Responses

For the Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified?

_____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses?

 X Yes _____ No

Noncompliance material to financial statements noted?

_____ Yes X No

Yellowstone Academy School District No. 58

Schedule of Findings and Responses – Continued

Section II - Financial Statement Findings

2014-001 Enrollment

Criteria or Specific Requirement: Student enrollment counts are required to be taken in October, December and February of each fiscal year and reported to the Montana Office of Public Instruction. The 10-day rule must be followed in regards to using a student in the enrollment counts.

Condition: Our testing of enrollment for the District revealed an exception. There were student count discrepancies in the Spring enrollment records examined.

Context: We reviewed District enrollment counts on count days to ensure the 10-day rule was followed. District counts were then compared to counts reported to the Montana Office of Public Instruction.

Effect: The District has potentially received enrollment-based funding it was not entitled to.

Cause: The District failed to accurately report its enrollment count to the Montana Office of Public Instruction.

Recommendation: We recommend the District have better controls by documenting any student that was gone on the count date for any reason. Then, the District should look at the enrollment records to test for 10 consecutive absences. Students that have been absent for 10 consecutive days should be further researched to determine if they can or cannot be included in the count. If clarification is needed, the District should contact the Montana Office of Public Instruction. The District should also have a control in place for the enrollment records to be reviewed with the count to ensure all students are being properly included or excluded from the count.

Auditee Response: The Yellowstone Academy is putting procedures in place to match students in the AIM system to the reports provided by the attendance director at the academy on the 3 days that are required for ANB enrollment purposes. Copies will be made of both reports and provided to the auditor during the review.

Yellowstone Academy School District No. 58

Schedule of Findings and Responses – Continued

Section III - Summary Schedule of Prior Audit Findings

2013-001 Restated as 2014-001