

Smith, Lange & Halley, P.C.

Certified Public Accountants

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To Management and Board of Trustees
Lambert School Districts No. 4 and 86

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lambert School Districts No. 4 and 86, Lambert, Montana, as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Lambert School Districts No. 4 and 86's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lambert School Districts No. 4 and 86's internal control. Accordingly, we do not express an opinion on the effectiveness of Lambert School Districts No. 4 and 86'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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be 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 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 did not identify any deficiencies in internal control that we consider to be 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 following deficiency in Lambert School Districts No. 4 and 86's internal control to be a significant deficiency:

The School Districts have a limited number of office personnel and accordingly, does not have adequate internal accounting controls in certain areas because of a lack of segregation of duties.

A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize that the office staff may not be large enough to permit an adequate segregation of duties in all respects for an effective system of internal accounting control, it is important that you be aware of this condition.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Smith, Lange & Halley, PC

Smith, Lange & Halley, PC
Sidney, Montana

May 15, 2015

LAMBERT SCHOOL DISTRICTS
NUMBER 4 AND 86
RICHLAND COUNTY
LAMBERT, MONTANA

FINANCIAL AND COMPLIANCE REPORT

YEAR ENDED JUNE 30, 2014

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
 RICHLAND COUNTY
 LAMBERT, MONTANA
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 FOR THE YEAR ENDED JUNE 30, 2014

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LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
RICHLAND COUNTY
LAMBERT, MONTANA
ORGANIZATION
FOR THE YEAR ENDED JUNE 30, 2014

BOARD OF TRUSTEES

Jeff Carda	Chairperson
Jill Thiessen	Vice-Chairperson
Rodney Evenson	Trustee
Lacey Mullin	Trustee
Jodi Williams	Trustee

OFFICIALS

Tyler Arlint	District Superintendent
Sammie Nelson	District Clerk

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lambert School Districts Number 4 and 86
Richland County
Lambert, 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 Lambert School Districts Number 4 and 86, Richland County, Montana as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Lambert School Districts Number 4 and 86'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

INDEPENDENT AUDITOR'S REPORT

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 opinion.

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 Lambert School Districts Number 4 and 86, Richland County, Montana, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 on pages 5-9 and page 29 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 statement, and other knowledge we obtained during the 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 Lambert School Districts Number 4 and 86's basic financial statements. The organizational chart on page 1, enrollment reporting on page 31, and extracurricular schedule on page 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT

The enrollment reporting and extracurricular schedule are the responsibility of management and were 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 enrollment reporting and extracurricular schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The organizational chart has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2015, on our consideration of Lambert School Districts Number 4 and 86, Richland County, Montana'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 Lambert School District's Number 4 and 86, Richland County, Montana's internal control over financial reporting and compliance.

Smith, Lange & Halley, PC

Smith, Lange & Halley, P.C.
Sidney, Montana

May 15, 2015

Lambert Public Schools
Districts #86 & #4
Richland County
Lambert, Montana 59243

Management's Discussion & Analysis

June 30, 2014 - Unaudited

The Clerk of Lambert School Districts #86 & #4 provided this MD&A to give the reader of these statements an overview of the financial position and activities of the Districts for the year covered by this audit report.

FINANCIAL HIGHLIGHTS

The Districts' overall net position balances have decreased by 1% (from \$36,847,520 to \$36,591,854) due to a decrease in current assets.

The General Funds' ending balance of \$272,272 will be utilized in the 2014-2015 school year to allow the Districts to maintain ZERO MILLS required from the taxpayers with \$149,661 being reappropriated and \$122,611 used as reserves. The Flex Funds' ending balance of \$3,754,860 will carry forward into the 2014-2015 school year. The Flex Fund can be used for basically any purpose deemed necessary by the trustees. Therefore, the Flex Fund can be used to offset normal General Fund Expenses if necessary, i.e. salaries, benefits, bonuses for classroom teachers and other certified staff. Please note that for financial statement purposes the General Fund and Flex Fund will now be combined.

The Technology Funds' ending balance of \$984,555 will carry forward into the 2014-2015 school year to allow the Districts to continue purchasing, upgrading and maintaining technology district wide. The Board awarded each qualifying 2014 graduating Senior a laptop computer.

The Districts established Building Reserve Funds in 2004-2005 as per voter approval for the purpose of general upkeep, maintenance, remodeling, repair, and construction of buildings and grounds. The Building Reserve Fund balance at year end is \$5,732,594 and will carry forward to the 2014-2015 school year to allow the Districts to continue to upkeep, maintain, remodel and repair the Lambert Public School's buildings and grounds.

Overall revenues increased from \$2,378,328 to \$3,035,102.

Interest earnings decreased from \$89,449 to \$72,184.

Overall expenditures increased from \$3,229,122 to \$3,290,767.

An annual budget helps assure the efficient, effective, and economic use of the Districts' resources, as well as establishing that projects and objectives are carried out according to prioritized planning. Through the budget, the District Trustees set the direction of the Districts and allocate its resources.

USING THIS FINANCIAL REPORT

This financial report consists of financial statements for the Districts as a whole with more detailed information for the Districts' major funds. Fund financial statements present a short-term view of the Districts' activities (including only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future).

Lambert Public Schools
Management's Discussion & Analysis
June 30, 2014 – Unaudited

THE DISTRICTS AS A WHOLE

The information found in the governmental-wide financial statements as shown on pages 10 and 11 provide insight into the Districts' financial health. These statements include all assets and liabilities using the accrual basis of accounting (and report depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net position (the difference between total assets and total liabilities) over time is one indicator of whether the District's financial health is improving or deteriorating. However, other non-financial factors should be considered in assessing the District's overall financial health – changes in legislative mandates, changes in enrollment, changes in the state's funding of educational costs, changes in the overall economy of the region, changes in the Districts' tax base, etc.

NET POSITION/LIABILITIES COMPARISON

	2013 June	2014 June	Change	% Change
Current Assets	\$ 14,037,211	\$ 12,026,581	\$ (2,010,630)	-14%
Capital Assets	\$ 22,842,943	\$ 24,608,288	\$ 1,765,345	8%
Total Assets	\$ 36,880,154	\$ 36,634,869	\$ (245,285)	-1%
Current Liabilities	\$ 26,107	\$ 34,412	\$ 8,305	32%
Long Term Liabilities	\$ 6,527	\$ 8,603	\$ 2,076	32%
Total Liabilities	\$ 32,634	\$ 43,015	\$ 10,381	32%
Net Position	\$ 36,847,520	\$ 36,591,854	\$ (255,666)	-1%

MAJOR PROGRAM AND GENERAL REVENUES

Program revenues	2013 June	2014 June	Change	% Change
Charges for Service	\$ 88,289	\$ 94,594	\$ 6,305	7%
Operating Grants	\$ 214,123	\$ 226,591	\$ 12,468	6%
Total Program Revenue	\$ 302,412	\$ 321,185	\$ 18,773	6%
General Revenues				
District Property Taxes	\$ -	\$ -	\$ -	
State Oil & Gas	\$ 1,364,257	\$ 1,826,547	\$ 462,290	34%
State Equalization	\$ 427,236	\$ 492,440	\$ 65,204	15%
Balance of revenues	\$ 284,422	\$ 394,929	\$ 110,507	39%
Total Revenues	\$ 2,378,327	\$ 3,035,101	\$ 656,774	28%

Lambert Public Schools
Management's Discussion & Analysis
June 30, 2014 – Unaudited

PROGRAM EXPENSES

	2013 June	2014 June	Change	%
Program Expenses				
Regular Programs	\$ 1,055,903	\$ 1,126,262	\$ 70,359	7%
Special Programs	\$ 123,862	\$ 122,794	\$ (1,068)	-1%
General Administration	\$ 256,344	\$ 197,693	\$ (58,651)	-23%
Operations & Maintenance	\$ 416,673	\$ 364,122	\$ (52,551)	-13%
Balance of Expenses	\$ 1,376,340	\$ 1,479,896	\$ 103,556	8%
Total Program Expenses	\$ 3,229,122	\$ 3,290,767	\$ 61,645	2%

Current Assets show a 14% decrease due to decreases in cash and investments.

Capital Assets show an 8% increase due to the fact that Capital Asset purchases exceeded depreciation for the year.

Total Liabilities show a 32% increase due to increases in both current and long term liabilities.

Overall, Net Position shows a 1% loss of \$255,666 in the Districts.

Program Revenues show a 6% increase from \$302,412 in 2012-2013 to \$321,185 in 2013-2014. Major components of general revenues include Montana Oil & Gas Tax, which increased from \$1,364,257 to \$1,826,547 and Investment Earnings, which decreased from \$89,449 to \$72,184.

Program Expenses show a 2% increase from \$3,229,122 in 2012-2013 to \$3,290,767 in 2013-2014. Major components include Regular Programs which increased from \$1,055,903 to \$1,126,262, Special Programs which decreased from \$123,862 to \$122,794, General Administration which decreased from \$256,344 to \$197,693 and Operations and Maintenance which decreased from \$416,673 to \$364,122.

Elementary District (K-8) 2012-2013 Fall Enrollment reported at 74 and 2012-2013 Spring Enrollment reported at 73. High School District (9-12) 2012-2013 Fall Enrollment reported at 39 and 2012-2013 Spring Enrollment reported at 40. For the 2013-2014 school year a third count was implemented (Winter). Therefore, for the 2013-2014 school year: Elementary District (K-8) Fall Enrollment reported at 64, Winter Enrollment reported at 64, Spring Enrollment reported at 66 and High School District (9-12) Fall Enrollment reported at 40, Winter Enrollment reported at 40 and Spring Enrollment reported at 40.

The Elementary District state entitlement amount for 2012-2013 was \$205,613 and for 2013-2014 was \$239,938. The High School District state entitlement for 2012-2013 was \$221,623 and for 2013-2014 was \$252,501. In FY 2006-2007 the state awarded additional entitlements to Districts i.e. Quality Educator, At Risk Student, Indian Ed for All, etc. In 2013-

Lambert Public Schools
Management's Discussion & Analysis
June 30, 2014 – Unaudited

2014 these additional entitlements totaled \$30,003 for the Elementary District and \$29,336 for the High School District.

Taxable valuation for 2013-2014 increased in both Districts. The Elementary District taxable valuation for 2012-2013 was \$6,480,620, compared to 2013-2014 amount of \$8,580,487. The High School District taxable valuation for 2012-2013 was \$5,547,200 compared to 2013-2014 amount of \$6,921,039.

FUND FINANCIAL STATEMENTS

The fund financial statements on pages 12 thru 14 provide a detailed short term view about the most significant of the Districts' funds. Under this reporting model, the Districts are required to provide detailed information for each of its "major" funds.

Major funds are defined as the General Fund and other Funds where the assets, liabilities, revenues, or expenditures exceed 10% of total governmental fund amounts. The Elementary and High School Flex Funds and the Elementary and High School Building Reserve Funds qualify as "major" in the 2013-2014 year. *Please note that beginning in 2012-2013, for financial statement purposes, the General Funds and the Flex Funds will be combined.

The General Fund can generally be thought of as the Districts' "checkbook" with the majority of operating expenses being paid out of this Fund. The Fund is broken into several sections – i.e. Instruction, Special Education, Library, Guidance, Building Operation & Maintenance, Administrative, Extra-curricular Activities, Athletics, School Food, etc. The Flex Funds are currently being utilized to pay certified teacher's salary, benefits and bonuses. The Building Reserve Funds are currently being utilized for the purposes of general upkeep, maintenance, remodeling, repair and construction of buildings and grounds.

Note: Schools are allocated a sum total of 150% of their maximum General Fund Budgets in oil and gas revenues. Therefore, Lambert Schools will receive a total of \$1,826,547 in oil and gas revenue in the 2013-2014 school year. Elementary District #86 will receive \$905,407 and High School District #4 will receive \$921,140. The oil and gas revenues were distributed as follows: \$234,510 in Elementary District #86 General Fund, \$113,314 in Elementary District #86 Transportation Fund, \$357,583 in Elementary District #86 Flex Fund, \$200,000 in Elementary District #86 Building Reserve Fund, \$243,654 in High School District #4 General Fund, \$114,478 in High School District #4 Transportation Fund, \$363,008 in High School District #4 Flex Fund and \$200,000 in High School District #4 Building Reserve Fund.

The Districts' Fiduciary Funds – Student Activity, Scholarship and Interlocal Agreement Fund – are not reported with the fund financial statements as these Funds cannot be used to finance the Districts' operations. They are reported separately on page 15 of the basic financial statements.

Lambert Public Schools
Management's Discussion & Analysis
June 30, 2014 – Unaudited

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

Capital assets increased in value by \$2,369,450 due to the following: Installation of CATV cable, installation of additional security cameras, purchased two modular homes for staff use, purchased EZ Track mower, purchased JD tractor XUV 625i, purchased mini-bus and purchased Gill Athletic pole vault value pack. Capital assets decreased by \$604,105 for depreciation expense, with capital assets showing a net increase of \$1,765,345.

As mentioned earlier, short-term and long-term debt increased due to an increase in compensated absences, which is accrued vacation and sick leave of current employees of the Districts.

THE FUTURE OF THE DISTRICTS

As with any smaller District, enrollment fluctuations greatly impact the General Fund Budgets. The Trustees utilize Montana Oil & Gas Tax revenues to eliminate the assessment on District property owners and have expressed a desire to continue to do so as long as possible while placing excess (oil and gas revenues over amount needed to fund General and Transportation Budgets) revenue into funds with the most spending flexibility that do not need to be expended by June 30 and can be carried forward from year to year.

The Districts will continue to strive to offer an excellent educational experience for students while continuing to improve each student's learning and technological expertise.

During the 2013-2014 school year the Districts installed CATV cable and additional security cameras, purchased two modular homes, an EZ Track mower, a JD tractor XUV625i, a mini bus and a pole vault value pack.

Future plans consist of: Complete construction of the sports complex (track and football field) and move the carport from the tri-plex to the sports complex area. The trustees continue to repair/maintain school owned housing and grounds as a means to draw highly qualified educators/staff personnel to Lambert Public Schools and also as a means to increase and/or stabilize the Districts' ANB (student enrollment).

CONTACTING THE DISTRICT

This financial report is designed to provide the citizens, parents, and taxpayers of the Lambert School Districts with a general overview of the Districts' finances and to show the Districts' accountability for the money it secures. If you have any questions about this report or need additional financial information, please contact Sammie Nelson, District Clerk at 406-774-3333 ext. 102 or by mail PO Box 260, Lambert, MT 59243.

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS:

Current Assets:	
Cash and Investments	\$12,025,998
Due from Other Governments	583
Total Current Assets	<u>12,026,581</u>
Capital Assets:	
Land and Improvements	2,230,010
Buildings and Improvements	22,403,564
Equipment	1,036,430
Construction Work in Progress	2,189,442
Less Accumulated Depreciation	<u>(3,251,158)</u>
Capital Assets - Net	<u>24,608,288</u>
Total Assets	<u><u>36,634,869</u></u>

LIABILITIES:

Current Liabilities:	
Current Portion of Compensated Absences	34,412
Non-current Liabilities:	
Compensated Absences	<u>8,603</u>
Total Liabilities	43,015

NET POSITION:

Invested in Capital Assets	24,608,288
Unrestricted Net Position	<u>11,983,566</u>
Total Net Position	<u><u>\$36,591,854</u></u>

See notes to the basic financial statements.

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Program Revenue</u>			Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants	
GOVERNMENT OPERATIONS				
Instruction:				
Regular programs	\$1,126,262	\$0	\$40,270	(\$1,085,992)
Special programs	122,794	0	97,043	(25,751)
Instructional support	82,459	0	622	(81,837)
Administration:				
General	197,693	0	0	(197,693)
Business services	229,309	0	0	(229,309)
Operations and maintenance	364,122	75,235	0	(288,887)
Transportation	290,050	0	68,240	(221,810)
Extracurricular	148,659	0	3,705	(144,954)
School Food	125,314	19,359	16,711	(89,244)
Unallocated depreciation	604,105	0	0	(604,105)
Totals	<u>\$3,290,767</u>	<u>\$94,594</u>	<u>\$226,591</u>	<u>(\$2,969,582)</u>
 GENERAL REVENUES				
State Equalization				492,440
State Oil and Gas Tax				1,826,547
Other State Revenue				30,782
County Property Taxes				279,228
Investment Earnings				72,184
Other				12,735
Total General Revenues				<u>2,713,916</u>
 CHANGE IN NET POSITION				 (255,666)
 NET POSITION				
Beginning of the Year				36,847,520
End of the Year				<u>\$36,591,854</u>

See notes to the basic financial statements.

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	Major Funds			Other Governmental Funds	Total
	General Fund	Elementary Building Reserve Fund	High School Building Reserve Fund		
ASSETS					
Cash and cash equivalents	\$4,027,132	\$2,853,418	\$2,879,176	\$2,266,272	\$12,025,998
Due from others	0	0	0	583	583
TOTAL ASSETS	<u>4,027,132</u>	<u>2,853,418</u>	<u>2,879,176</u>	<u>2,266,855</u>	<u>12,026,581</u>
FUND BALANCE					
Committed	0	2,853,418	2,879,176	2,266,855	7,999,449
Assigned	3,754,860	0	0	0	3,754,860
Unassigned	272,272	0	0	0	272,272
TOTAL FUND BALANCE	<u>\$4,027,132</u>	<u>\$2,853,418</u>	<u>\$2,879,176</u>	<u>\$2,266,855</u>	<u>\$12,026,581</u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$12,026,581
Add capital assets not reported above	27,859,446
Less accumulated depreciation	(3,251,158)
Less liabilities not reported above:	
Compensated absences	(43,015)
Net Position	<u>\$36,591,854</u>

See notes to the basic financial statements.

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Major Funds			Other Governmental Funds	Total
	General Fund	Elementary Building Reserve Fund	High School Building Reserve Fund		
REVENUES					
Intergovernmental:					
County sources	\$0	\$0	\$0	\$318,050	\$318,050
State sources	1,803,986	200,000	200,000	272,938	2,476,924
Federal sources	0	0	0	60,615	60,615
Dormitory/rental charges	0	0	0	75,235	75,235
Lunch sales	0	0	0	19,359	19,359
Interest earnings	23,557	18,208	18,335	12,084	72,184
Miscellaneous	624	0	0	12,111	12,735
Total Revenues	1,828,167	218,208	218,335	770,392	3,035,102
EXPENDITURES					
CURRENT OPERATIONS					
Instruction:					
Regular programs	805,240	0	0	310,642	1,115,882
Special programs	68,757	0	0	54,037	122,794
Instructional support	73,452	0	0	9,007	82,459
Administration:					
General	173,683	0	0	24,010	197,693
Business services	142,465	0	0	86,844	229,309
Operation and maintenance	265,763	28,721	22,311	47,327	364,122
Transportation	6,542	0	0	283,508	290,050
Extracurricular	140,250	0	0	8,409	148,659
Food services	81,606	0	0	43,708	125,314
Capital outlay	90,533	1,132,011	1,132,011	14,895	2,369,450
TOTAL EXPENDITURES	1,848,291	1,160,732	1,154,322	882,387	5,045,732
EXCESS (DEFICIENCY) OF					
REVENUES OVER EXPENDITURES	(20,124)	(942,524)	(935,987)	(111,995)	(2,010,630)
FUND BALANCE					
Beginning of the Year	4,047,256	3,795,942	3,815,163	2,378,850	14,037,211
End of the Year	\$4,027,132	\$2,853,418	\$2,879,176	\$2,266,855	\$12,026,581

See notes to the basic financial statements.

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Change in fund balance (from page 13)	(\$2,010,630)
Amounts reported in the statement of activities (page 11) are different because:	
Expenses on the government-wide statement not included on the government fund statement:	
Depreciation expense	(604,105)
Increase in compensated absences	(10,381)
Expenditures not reported on the statement of activities:	
Capital outlay	<u>2,369,450</u>
Change in net position	<u><u>(\$255,666)</u></u>

See notes to the basic financial statements.

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
STATEMENT OF FIDUCIARY NET POSITION
AND STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Private-purpose Trust Funds		Trust Fund	Total Fuduciary Funds
	Student Activity Fund	Scholarship Endowment Fund	Interlocal Agreement Fund	
FIDUCIARY NET POSITION:				
ASSETS				
Cash and Investments	\$49,980	\$44,657	\$24,198	\$118,835
Capital Assets	0	0	86,700	86,700
Total Assets	<u>49,980</u>	<u>44,657</u>	<u>110,898</u>	<u>205,535</u>
NET POSITION				
Held in Trust for Student Activities	49,980	0	0	49,980
Held in Trust for Scholarship	0	44,657	0	44,657
Held in Trust for Multidistrict Coop	0	0	110,898	110,898
Total Net Position	<u>49,980</u>	<u>44,657</u>	<u>110,898</u>	<u>205,535</u>
CHANGES IN FIDUCIARY NET POSITION:				
ADDITIONS				
Revenue from Student Activities	63,130	0	0	63,130
Contributions	0	1,527	0	1,527
Interest earnings	0	102	125	227
Total Additions	<u>63,130</u>	<u>1,629</u>	<u>125</u>	<u>64,884</u>
DEDUCTIONS				
Expenses of Student Activities	69,100	0	0	69,100
Student Scholarships	0	1,400	0	1,400
Total Deductions	<u>69,100</u>	<u>1,400</u>	<u>0</u>	<u>70,500</u>
CHANGE IN NET POSITION HELD IN TRUST	(5,970)	229	125	(5,616)
NET POSITION HELD IN TRUST				
Beginning of the Year	55,950	44,428	110,773	211,151
End of the Year	<u>\$49,980</u>	<u>\$44,657</u>	<u>\$110,898</u>	<u>\$205,535</u>

See notes to the basic financial statements.

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lambert School Districts Number 4 and 86 have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant School Districts accounting policies are described below:

1. REPORTING ENTITY - Under state law, the Districts consist of two legally separate entities - high school and elementary. The elementary district provides education from kindergarten through the eighth grade and the high school district grades nine through twelve as well as adult education classes. Although the districts are accounted for separately because of differences in funding and legal requirements, the two districts are combined for financial reporting purposes because both districts are managed by a central Board of Trustees and by a central administration appointed by and responsible to the Board. The Board of Trustees is the basic level of government which has financial accountability and control over all activities related to the school districts. The elementary district general fund and high school district general fund have been combined and reported as the combined general fund in the accompanying financial statements. As described in Note J to the financial statements, the General Fund also includes the financial information of special revenue funds that no longer meet the revised fund definition per GASB 54.

The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. The county assesses taxes, collects revenues, makes investments and functions as the custodian for all of the School Districts monetary assets and for all of the School Districts funds except for the extracurricular activity funds. However, the Board is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since Board members are elected by the public and have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14 which are included in the Districts' reporting entity.

2. BASIS OF PRESENTATION AND BASIS OF ACCOUNTING - GOVERNMENT-WIDE STATEMENTS - The statement of net position and the statement of activities show information about the overall financial position and activities of the School Districts with the exception of the endowment fund, the student extracurricular activities fund, and the interlocal agreement fund.

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

2. BASIS OF PRESENTATION AND BASIS OF ACCOUNTING (CON'T)

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the Districts are generally financed through state equalization funding, state oil and gas taxes, and federal and state grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. On the accrual basis, revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met. Adjustments have been made to eliminate the double recording of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Districts' governmental activities. Direct expenses are those that are specifically associated with a program or function. The Districts do not charge indirect expenses to programs or functions. Program revenues include fees for services (primarily school lunch charges) and grants and contributions that are restricted to a particular program. Revenues that are not classified as program revenues are presented as general revenues.

FUND FINANCIAL STATEMENTS - The governmental funds financial statements include the balance sheet and statement of revenues, expenditures and changes in fund balance and a reconciliation is provided reconciling amounts on these statements to the statement of net position and statement of activities. These statements provide information about the Districts' funds, including a separate statement for the Districts' fiduciary funds (endowment fund, student extracurricular activities fund, and the interlocal agreement fund). The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. All the remaining funds are aggregated and reported in a single column as non-major funds.

These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue.

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

2. BASIS OF PRESENTATION AND BASIS OF ACCOUNTING (CON'T)

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences which are recognized as expenditures when paid. General 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.

Under the terms of the Districts' grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the Districts apply cost reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Governmental fund accounting requires that the general fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of total for all governmental funds also be reported as major funds. Accordingly, the Districts report the following major governmental funds:

General Fund - This is the Districts' primary operating fund and it accounts for all financial resources of the Districts except those required to be accounted for in other funds. This also includes the financial resources of special revenue funds that do not meet the revised fund definition per GASB 54.

Elementary and High School Building Reserve Fund - These capital project funds account for the receipt of specific revenue sources for the purpose of approved building or construction projects. State law does not require a budget for these funds.

Additionally, the District reports the following fund types:

Special Revenue Funds - These funds are used to account for proceeds of special revenue sources that are legally restricted to expenditures for a specific purpose.

Capital Projects Funds - These funds account for financial resources to be used for the acquisition or construction of major capital facilities.

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

2. BASIS OF PRESENTATION AND BASIS OF ACCOUNTING (CON'T)

Trust Funds - The Districts also has two private-purpose trust funds, the endowment fund and the student extracurricular activities fund, which account for gifts, legacies and devises received by the School and the extracurricular activities of the students. These funds are reported in the Statement of Fiduciary Net Position and Changes in Fiduciary Net Position using the economic resources measurement focus and the accrual basis of accounting.

The District's fiduciary funds also include a trust fund: an interlocal agreement fund that is a multidistrict cooperative established by Lambert High School District Number 4 and Lambert Elementary District Number 86 for the purpose of receiving funds from these two districts and paying salaries, benefits, purchased services, supplies and capital outlay. This fund is also reported in the Statement of Fiduciary Net Position and Changes in Fiduciary Net Position using the economic resources measurement and focus and the accrual basis of accounting.

3. CASH AND INVESTMENTS - State law permits investment of the School Districts' funds in insured savings or time deposits, bank repurchase agreements, direct obligations of the U.S. Government, and the State's unified investments program. Except for the extracurricular fund and petty cash, all cash and investments are held by the County Treasurer. Investments are stated at estimated fair value which approximates cost.

4. INVENTORIES - Inventories of materials and supplies are expensed at the time of purchase. Although this is a departure from U.S. GAAP, the amounts are not considered material to the basic financial statements.

5. CAPITAL ASSETS - Capital assets are carried at actual or estimated historical cost based on appraisals. Major additions and betterments with a cost in excess of \$5,000 are recorded as additions to fixed assets. Repair and maintenance costs are not capitalized. Depreciation is computed using the straight-line method and the estimated useful lives are as follows:

Building and improvements	20-75 years
Equipment	5-15 years

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

6. COMPENSATED ABSENCES - Liabilities incurred because of accumulated unused vacation and sick pay which is payable upon termination is included in the government wide-financial statements. Expenditures for these liabilities are recognized when paid in the fund financial statements. The Districts use the general funds to pay departing employees for accrued vacation and sick leave.

7. USE OF ESTIMATES - The preparation of financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - PROPERTY TAX

The Districts did not levy any property taxes for the year ended June 30, 2014. The taxable valuation of property for fiscal year ended June 30, 2014 was \$8,580,487 for the Elementary District and \$6,921,039 for the High School District.

NOTE C - CASH AND INVESTMENTS

Cash and investments, except the cash and investments of the Extracurricular Fund and the Petty Cash Checking Account, are held by the Richland County Treasurer. The Extracurricular Fund and Petty Cash accounts are at the Wells Fargo Bank of Sidney. The Districts' investments consist of an investment pool and certificates of deposit with the Richland County Treasurer. Funds with the County Treasurer are pooled and invested according to State Law. Funds are withdrawn from the investment program as needed to pay warrants. Earnings are allocated to the Districts based on average month-end balances and are distributed monthly.

It is not practical for the Districts to determine the insurance coverage or collateral for their share of these pooled investments. The petty cash account and extracurricular fund accounts are fully insured by FDIC.

All investments are insured or registered and the securities are held by the school or its agent in the school's name, except the pooled funds of the Districts which are registered in the name of Richland County.

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE C - CASH AND INVESTMENTS (CON'T)

Statutes authorize the school to invest in direct obligations of the U.S. Government, or 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 and the state treasurer's investment pool.

The Districts' cash and investments at year-end are shown below:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Investment pool with County	\$12,050,046	\$12,240,696
CDs for endowment fund with County	44,657	44,657
Extracurricular funds	49,980	51,026
Petty cash funds	150	150
TOTAL	<u>\$12,144,833</u>	<u>\$12,336,529</u>

Reconciliation to Cash and Investments per Statement of Net Position:

Total Cash	\$12,144,833
Less: Cash per Statement of Fiduciary Net Position	(<u>118,835</u>)
Cash and Investments per Statement of Net Position	<u>\$12,025,998</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rate. The Districts have certificates of deposits for the Endowment Fund through Richland County with maturities ranging from six months to one year.

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE D - CAPITAL ASSETS

The following summary shows the changes in capital assets for the year ended June 30, 2014:

	<u>Balance</u> 07/01/13	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 06/30/14
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 92,600	\$ 0	\$ 0	\$ 92,600
Construction in Progress	<u>413,335</u>	<u>1,976,614</u>	<u>(200,507)</u>	<u>2,189,442</u>
Total capital assets not being depreciated	505,935	1,976,614	(200,507)	2,282,042
CAPITAL ASSETS BEING DEPRECIATED				
Land improvements	2,137,410	0	0	2,137,410
Buildings	21,899,629	503,935	0	22,403,564
Machinery & Equipment	<u>947,022</u>	<u>89,408</u>	<u>0</u>	<u>1,036,430</u>
Total capital assets being depreciated	24,984,061	593,343	0	25,577,404
Less accumulated depreciation	<u>(2,647,053)</u>	<u>(604,105)</u>	<u>0</u>	<u>(3,251,158)</u>
Net capital assets being depreciated	<u>22,337,008</u>	<u>(10,762)</u>	<u>0</u>	<u>22,326,246</u>
Net capital assets	<u>\$22,842,943</u>	<u>\$1,965,852</u>	<u>(\$200,507)</u>	<u>\$24,608,288</u>

Actual cash outlay for the purchase of capital assets during fiscal year 2014 was \$2,369,450. The difference between this amount and capital asset additions is \$200,507, which is the amount of previously classified construction work-in-progress that was completed during fiscal year 2014.

Current year depreciation expense of \$604,105 is reported on the Statement of Activities as unallocated.

The Districts have an interlocal cooperative fund pursuant to a multidistrict agreement between Lambert Elementary District No. 86 and Lambert High School District No. 4. This fund is reported with the Statement of Fiduciary Net Position and includes the following capital assets:

	<u>Balance</u> 07/01/13	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 06/30/14
CAPITAL ASSETS NOT BEING DEPRECIATED	<u>\$86,700</u>	<u>\$0</u>	<u>\$0</u>	<u>\$86,700</u>

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE E - LONG-TERM LIABILITIES

A summary of the changes in accrued compensated absences for the fiscal year ended June 30, 2014 is as follows:

	<u>Elementary</u>	<u>High School</u>	<u>Total</u>
Beginning balance	\$ 15,996	\$ 16,638	\$ 32,634
Increase (decrease)	4,963	5,418	10,381
Ending balance	<u>\$ 20,959</u>	<u>\$ 22,056</u>	<u>\$ 43,015</u>

The District uses the General Fund to pay departing employees for accrued vacation and sick leave.

NOTE F - DUE TO/DUE FROM

A total of \$583 is due from the State of Montana for Drivers Education.

NOTE G - FEDERAL GRANTS

The School Districts have received numerous federal grants during the year, many of which specify the terms and conditions under which the monies may be expended. In the event of noncompliance, the School District may be required to reimburse the appropriate Federal Agency from school district money. The School Districts received \$3,781 in USDA and State Commodities during the year ended June 30, 2014.

NOTE H - RETIREMENT PLANS

The Districts participate in two state-wide, cost-sharing multiple 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 certified teaching employees, including principals and superintendents, and the Public Employees Retirement System (PERS) covers non-teaching employees. Substitute teachers may elect to become an active member of TRS on the first day of employment in each fiscal year. If a substitute teacher does not elect to become a member, membership becomes mandatory on the 31st day of employment, at which time retroactive contributions will not be required. The plans are established by State law and are administered by the Department of Administration of the State of Montana.

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE H - RETIREMENT PLANS (CON'T)

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

Teachers Retirement System PO Box 200839 1500 Sixth Avenue Helena, MT 59620-0139 Phone: 406-444-3134	Public Employees Retirement System PO Box 200831 1712 Ninth Avenue Helena, MT 59620-0131 Phone: 406-444-3154
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Contribution rates for both plans are required and determined by State law. The contribution rates for 2014, expressed as a percentage of covered payroll, were as follows:

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
TRS	8.47%	8.15%	16.62%
PERS	7.80%	7.90%	15.17%

The State contributes .37% to PERS on behalf of the employer. The State also contributes 2.49% to the pension trust fund on behalf of employees participating in TRS. The State contributions have not been recorded in these financial statements.

The amounts contributed to the plans during the years ended June 30, 2012, 2013 and 2014, were equal to the required contribution for each year. The amounts contributed by both the Districts and their employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$116,801	\$149,454	\$144,441
PERS	30,002	40,415	40,796
	<u>\$146,803</u>	<u>\$189,869</u>	<u>\$185,237</u>

The 2013 Montana Legislature passed HB 377 that required school districts with excess operating reserves in the retirement fund to remit these amounts to the Teachers Retirement System. As required, Lambert School Districts remitted \$69,661 by the Elementary District and \$75,111 by the High School District for a total payment of \$144,772 to the Teachers Retirement System.

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE I - RISK MANAGEMENT

The Districts face 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) and worker's compensation, i.e. employee injuries. A variety of methods is used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, and professional liabilities. The Districts participate in a state-wide public risk pool, Montana Schools group's Worker's Compensation Risk Retention Program, for worker's compensation coverage. Given the lack of coverage available, the Districts have 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 cost of the assets.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The premiums are paid from the General Fund.

In 1989 the Districts joined together with other Montana school districts to form the Montana Schools Group's Worker's Compensation Risk Retention Program, a public entity risk pool currently operating as a common risk management and insurance program for the member school districts. The Districts pays a quarterly premium for its employee injury insurance coverage which is allocated to the employer funds based on total paid salaries and wages. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan.

NOTE J - FUND BALANCE

Lambert School Districts No. 4 and 86 implemented the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions with prior financial and compliance reports. It was determined that two of their previously classified special revenue funds do not meet the revised fund definition per GASB No. 54. The Elementary and High School Flex Funds are each accounted for separately in the Districts financial records, however, for external reporting purposes these funds are combined and reported with the General Fund in the governmental fund financial statements.

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE J - FUND BALANCE (CON'T)

The following reconciliation discloses the makeup of the fund balance as reported on the Balance Sheet:

	Fund Balance - June 30, 2014
General Funds	\$ 272,272
Elementary Flex Fund	1,721,789
High School Flex Fund	<u>2,033,071</u>
	\$4,027,132

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, Lambert School Districts Number 4 and 86 classifies governmental fund balances as follows:

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or grantors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes by the District itself, through formal action by a majority vote of the Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees, by majority vote, removes or changes the constraint.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The intent can be expressed by the Board of Trustees, individually and/or collectively. The Board of Trustees also delegates the power to assign fund balances to the District Superintendent and District Clerk.
- Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories.

The Districts use restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Districts would first use *committed*, then *assigned*, and lastly *unassigned* amounts of unrestricted fund balance when expenditures are made.

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE J - FUND BALANCE (CON'T)

The purpose of each major Capital projects fund and revenue source is listed below:

Major Special Revenue Fund	Revenue Source
Elementary Building Reserve Fund	Oil & Gas Tax Revenues
High School Building Reserve Fund	Oil & Gas Tax Revenues

A schedule of fund balances is provided for fiscal year ended June 30, 2014:

	<u>General Fund</u>	<u>Elementary Building Reserve Fund</u>	<u>High School Building Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES:					
Committed To:					
Capital					
Purchases	\$ 0	\$2,800,090	\$2,825,795	\$ 838,110	\$6,463,995
Instruction	0	0	0	962,398	962,398
Administration	0	0	0	193,142	193,142
Operations and Maintenance	0	53,328	53,381	112,157	218,866
Transportation	0	0	0	123,600	123,600
Extracurricular	0	0	0	9,598	9,598
Food Services	0	0	0	27,850	27,850
Assigned To:					
Capital					
Purchases	2,082,112	0	0	0	2,082,112
Instruction	1,339,884	0	0	0	1,339,884
Administration	242,125	0	0	0	242,125
Operations and Maintenance	90,739	0	0	0	90,739
Unassigned:	<u>272,272</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>272,272</u>
Total Fund Balance	<u>\$4,027,132</u>	<u>\$2,853,418</u>	<u>\$2,879,176</u>	<u>\$2,266,855</u>	<u>\$12,026,581</u>

NOTE K - OTHER POST-RETIREMENT EMPLOYMENT BENEFIT

According to Montana State Law, qualified retired employees may elect to remain on the District's health insurance plan until they attain the age for medicare coverage. The retiree pays the cost of health insurance premium, however they are insured together as a group with current employees. This causes the premiums paid by the retirees to be lower than they would have been if the retirees were insured separately. This results in an implicit rate subsidy. A new reporting requirement for fiscal year 2010 by the Governmental Accounting Standards Board states that this implicit rate subsidy be considered an other post-retirement

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE K - OTHER POST-RETIREMENT EMPLOYMENT BENEFIT (CON'T)

employment benefit (OPEB) and an accrual for the valuation of this benefit be included in the District's financial statements. There are numerous assumptions that are a part of the calculation for estimating this accrued liability. The District's management has elected not to accrue a liability for this OPEB because they feel the amount of any required accrual would not be material to the financial statements.

NOTE L - SUBSEQUENT EVENTS

Inquiry of management indicated that no events have occurred subsequent to June 30, 2014 and through the date of this audit report that would require adjustment to a disclosure in the basic financial statements.

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual
Intergovernmental:			
State/Federal sources	\$1,083,394	\$1,083,394	\$1,083,394
Interest earnings	3,014	3,014	3,012
Miscellaneous	600	600	624
Total Revenues	<u>1,087,009</u>	<u>1,087,009</u>	<u>1,087,030</u>
EXPENDITURES			
CURRENT OPERATIONS			
Instruction:			
Regular programs	243,500	243,500	216,219
Special programs	64,168	64,168	63,833
Instructional support	44,421	44,421	29,356
Administration:			
General	98,770	98,770	80,793
Business services	102,900	102,900	94,182
Operations and maintenance	304,250	304,250	265,028
Transportation	7,450	7,450	6,542
Extracurricular	162,414	162,414	140,250
Food services	89,325	89,325	81,606
Capital outlay	100,500	100,500	89,408
TOTAL EXPENDITURES	<u>1,217,698</u>	<u>1,217,698</u>	<u>1,067,217</u>
EXCESS (DEFICIENCY) OF			
REVENUES OVER EXPENDITURES	<u>(\$130,688)</u>	<u>(\$130,688)</u>	19,813
FUND BALANCE			
Beginning of the Year			<u>252,459</u>
End of the Year			<u>\$272,272</u>

See notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

BUDGETS

An annual budget is adopted each fiscal year for the General Funds and those other Governmental Fund Types classified by state law as budgeted funds. For School Districts Number 4 and 86 these include the Transportation, Bus Depreciation, Retirement, Adult Education and Flexibility Funds. All budgets are formulated in accordance with state law. The final budget is legally enacted by the Board of Trustees on or before August 15. The General Fund budgets are based on the State's Foundation Program, which is designed to equalize taxing effort throughout the state and bases the budgets primarily on enrollment. Budgets of other funds are based primarily on estimated expenditures and revenues.

Budgeted fund expenditures are limited by state law to budgeted amounts, except that they can be increased for emergencies, defined by state law as expenses which could not have been reasonably foreseen at the time of adoption of the budget. There were no budget amendments during fiscal year ending June 30, 2014. Transfers may be made between expenditure objects and/or functions within the same fund. The budgeted amounts, as shown in the required supplementary information include original budgeted amounts, final budgeted amounts and actual revenues and expenditures. The budget and actual statement of this report is prepared on the budgetary basis of accounting, which includes encumbrances as expenditures in the year encumbered. The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual - General Fund statement includes only the budget and actual revenue and expenditures of the Elementary and High School General Funds. As disclosed earlier, for financial reporting purposes, the Elementary and High School Flex Funds financial information has been combined and reported with the Elementary and High School General Funds in the governmental fund financial statements. Actual expenditures do not exceed final budgeted expenditures for the year ended June 30, 2014.

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
 SUPPLEMENTAL INFORMATION
 ENROLLMENT REPORTING
 FOR THE YEAR ENDED JUNE 30, 2014

	ANB Report	District's	ANB Report	District's
	<u>10/2013</u>	Records	<u>12/2013</u>	Records
		<u>10/2013</u>		<u>12/2013</u>
Elementary School				
Grades K-6	55	55	55	55
Grades 7-8	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>
Total	<u>64</u>	<u>64</u>	<u>64</u>	<u>64</u>
High School				
Grades 9-12	<u>40</u>	<u>40</u>	<u>40</u>	<u>40</u>
Total	<u>40</u>	<u>40</u>	<u>40</u>	<u>40</u>

	ANB Report	District's
	<u>02/2014</u>	Records
		<u>02/2014</u>
Elementary School		
Grades K-6	57	57
Grades 7-8	<u>9</u>	<u>9</u>
Total	<u>66</u>	<u>66</u>
High School		
Grades 9-12	<u>40</u>	<u>40</u>
Total	<u>40</u>	<u>40</u>

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
 SUPPLEMENTAL INFORMATION
 EXTRACURRICULAR FUND
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCE
 BY STUDENT ACTIVITY
 YEAR ENDED JUNE 30, 2014

<u>Fund Account</u>	Beginning	Revenues Collected	Expenditures Paid	Transfers	Ending
	Balance 7/1/2013			In (Out)	Balance 6/30/2014
Annual	\$3,581	\$3,755	\$3,286	\$0	\$4,050
Art	1,422	0	0	0	1,422
Athletics	3,539	0	127	0	3,412
Cheerleaders	162	0	0	0	162
Class of 2019	0	0	0	50	50
Class of 2019	50	0	0	50	100
Class of 2018	251	5	0	0	256
Class of 2017	1,017	0	0	(36)	981
Class of 2016	1,171	916	63	100	2,124
Class of 2015	2,071	1,683	864	(325)	2,565
Class of 2014	2,179	1,666	2,457	(558)	830
Class of 2013	1,680	0	89	0	1,591
Class of 2012	1,430	0	0	0	1,430
Class of 2011	95	0	0	0	95
Drama	762	398	259	0	901
Elementary	897	0	0	0	897
E. F. Tours	11,043	28,170	34,212	36	5,037
Greenhouse	993	538	70	0	1,461
Library	953	1,764	1,765	0	952
Lifetouch	1,736	287	0	0	2,023
Mane Prints	1,233	6,925	3,447	0	4,711
Mid Rivers Grant	32	0	0	0	32
Missoula Childrens	3,102	0	250	0	2,852
Music	719	423	280	0	862
Nat'l Honor Society	36	0	0	0	36
Post Prom Fund	1,770	0	1,758	0	12
Prom Fund	1,736	2,410	3,085	800	1,861
REA	2,111	0	0	0	2,111
Shop	627	383	452		558
Student Council	2,228	7,140	7,846	(117)	1,405
FFA	7,324	6,667	8,790	0	5,201
Totals	\$55,950	\$63,130	\$69,100	\$0	\$49,980

Smith, Lange & Halley, P.C.

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

Board of Trustees
Lambert School Districts Number 4 and 86
Richland County
Lambert, 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 Lambert School Districts Number 4 and 86, Richland County, Montana, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise Lambert School Districts Number 4 and 86, Richland County, Montana's basic financial statements and have issued our report thereon dated May 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lambert School Districts Number 4 and 86, Richland County, Montana'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 Lambert School Districts Number 4 and 86, Richland County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Lambert School Districts 4 and 86, Richland County, Montana'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.

Independent Auditors Report on Internal
Control Over Financial Reporting and on
Compliance and Other Matters

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings as item 14-1 that we consider to be a significant deficiency.

Compliance and Other Matter

As part of obtaining reasonable assurance about whether Lambert School Districts Number 4 and 86, Richland County, Montana'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*.

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 on compliance. Accordingly, this communication is not suitable for any other purpose.

Smith, Lange & Halley, PC

Smith, Lange & Halley, P.C.
Sidney, Montana

May 15, 2015

LAMBERT SCHOOL DISTRICTS NUMBER 4 AND 86
SUMMARY SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Finding 14- Lack of Segregation of Duties

Condition:

The Districts have a limited number of office personnel and accordingly, does not have adequate internal accounting controls in certain areas because of a lack of segregation of duties.

Criteria:

An adequate system of internal accounting control provides for a proper segregation of duties so that no one individual handles a transaction from its inception to its completion.

Effect:

Risk of misappropriation of Authority assets and inaccurate financial records as a result of errors or fraud.

Cause:

Limited office staff.

Recommendation:

While we recognize that the office staff may not be large enough to permit an adequate segregation of duties in all respects for an effective system of internal accounting control, management should review the assignment of accounting functions and segregate duties of receiving, recording, and reconciling to the extent possible.

No action is necessary.