



Independent Auditor's Report and  
Financial Statements

**Lame Deer Public School District No. 6**

Rosebud County  
Lame Deer, Montana  
June 30, 2014

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June 30, 2011

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## ORGANIZATION – BOARD OF TRUSTEES AND OFFICIALS

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For the Year Ended June 30, 2014

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### BOARD OF TRUSTEES

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Robert McLean, Jr.  
Merrilee Red Robe  
Lu Mary Spang  
Roseanne Headswift  
George Scalpcane  
Tom Mexican Cheyenne  
Merrilee Red Robe  
Patricia Rae Peppers  
Winslow White Crane

Chairman  
Vice Chairman  
Trustee  
Trustee  
Trustee  
Trustee  
Trustee  
Trustee

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### OFFICIALS

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Bill Parker  
Lana Robinson  
Kristine White  
Joby Parker  
Kathy Fahrenbruck

District Superintendent  
Business Manager/Clerk  
County Attorney  
County Superintendent of Schools  
County Treasurer



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**June 30, 2014**

This section of the Lame Deer School District's annual financial report represents the management discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2014. It is intended to provide a clear and concise analysis of the activities, financial results, and financial position during the fiscal year, and is a required element of the reporting model established by the Governmental Accounting Standards Board (GASB) in Statement Number 34. This management, discussion and analysis (MD&A) should be read in conjunction with the District's financial statements, which immediately follow this section.

### FINANCIAL HIGHLIGHTS

Key financial highlights for 2014 are as follows:

Total net position for the District is	\$ 16,857,816
Total net position increased by	\$ 1,354,739

### USING THESE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes for those statements. These statements are organized so the reader can understand School District No. 6 as a complex financial entity. The Statement of Net Position and the Statement of Activities provide information about the activities of the whole District presenting both an aggregate view of the District's finances and a longer-term view of those finances (they include capital assets and long-term liabilities).

The Fund financial statement presents a short-term view of the District's activities, but includes only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future. There is also summarized financial information about the Students' Activity Trust Fund for which the District acts as a trustee.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include different kinds of statements that present both a view of the District as a whole, and individual funds statements that focus on various parts of the District's operation in more detail. The financial statements also include notes that explain some of the information presented in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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June 30, 2014

### REPORTING THE DISTRICT AS A WHOLE FINANCIAL ENTITY

One important question asked about the District's finances: "Is the District better or worse off as a result of this year's activities?" The information found in the District-wide financial statement helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, and reports depreciation on capital assets, which is similar to the basis of accounting used by most private –sector companies. Basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or dispersed.

In terms of material findings in this audit report, the Federal Programs, Payroll and Business Manager positions did not fair very well. These are all correctable errors which will not hopefully affect the District in the long term.

The change in net position (the difference between total assets and total liabilities) is important because it tells the reader whether, for the district as a whole, the financial position of the District has improved or diminished. In addition, non-financial factors such as changes in enrollment, changes in the State's funding of education costs, changes in the economy, condition of school buildings, and other facilities must be considered in making an assessment of the overall health of the District.

### FUND FINANCIAL STATEMENTS

The District maintains individual government funds. Six of these funds are considered major funds: General Fund, Elementary Impact Aid, High School Impact Aid, Elementary Retirement, Elementary Miscellaneous Programs and High School Miscellaneous Programs. The fund financial statements provide detailed information about the most significant of the District's funds; the District is required to provide detailed information for 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 governmental funds provide a short-term view of the District's operations. They are reported using an accounting method called modified accrual accounting which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

### REPORTING DISTRICT'S TRUST AND FIDUCIARY RESPONSIBILITY

Also attached are summarized financial reports about the student activity funds which the District oversees.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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June 30, 2014

### BUDGET TO ACTUAL COMPARISON

Only the General, Transportation, Retirement, and Technology funds are required to have budgets. There were no significant variations between budget and actual revenues and expenditures on the budgetary comparison schedule that could not be covered by the fund itself or in our District Impact Aid funds.

### STATEMENT OF NET POSITION

Very positive signs of financial standing of the District are present. The District had a sizeable increase in total assets, \$1,263,173, with a total net position increase of \$1,354,739. In addition, our total liabilities have decreased \$91,565.

This is all during a down turn in enrollment which greatly decreases our revenues. We experienced a \$15,207 drop in total program revenues and a \$1,296,051 drop in general revenue which includes state aid and impact aid, both tied to drops in enrollment. Our total revenue reduction was \$1,311,258.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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June 30, 2014

	<u>2014</u>	<u>2013</u>
Net Position:		
Current assets	5,280,111	3,921,536
Capital assets - net	<u>12,034,085</u>	<u>12,129,487</u>
Total assets	<u>17,314,196</u>	<u>16,051,023</u>
Current liabilities	160,170	188,646
Non-current liabilities	<u>296,210</u>	<u>359,300</u>
Total liabilities	<u>456,380</u>	<u>547,946</u>
Net position:		
Net investment in capital assets	11,942,329	11,978,636
Restricted for:		
Capital projects	266,124	
Other fund activities	257,988	526,419
Unrestricted	<u>4,391,375</u>	<u>2,998,022</u>
Total net position	<u><u>16,857,816</u></u>	<u><u>15,503,077</u></u>

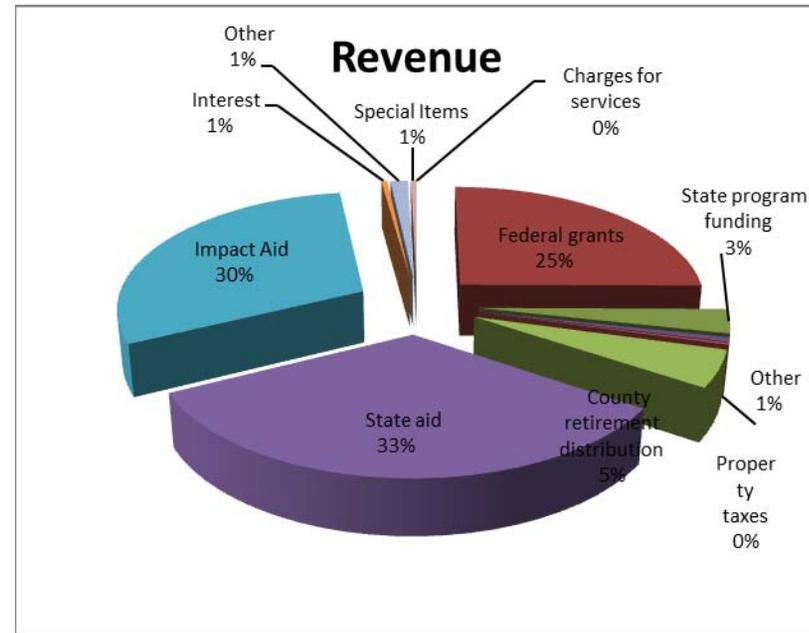


# MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2014

## STATEMENT OF ACTIVITIES

	2014	2013
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	43,464	0
Federal grants	2,990,747	2,992,906
State program funding	337,402	392,334
Other	73,702	75,282
Total program revenues	<u>3,445,315</u>	<u>3,460,522</u>
<b>General revenues:</b>		
Property taxes	32,500	26,987
County retirement distribution	523,711	598,453
State aid	3,432,964	3,977,380
Impact Aid	2,890,707	3,583,733
Interest	32,539	53,947
Other	88,113	158,859
Special Items	52,941	(49,833)
Total general revenues	<u>7,053,475</u>	<u>8,349,526</u>
<b>Total Revenues</b>	<u><u>10,498,790</u></u>	<u><u>11,810,048</u></u>



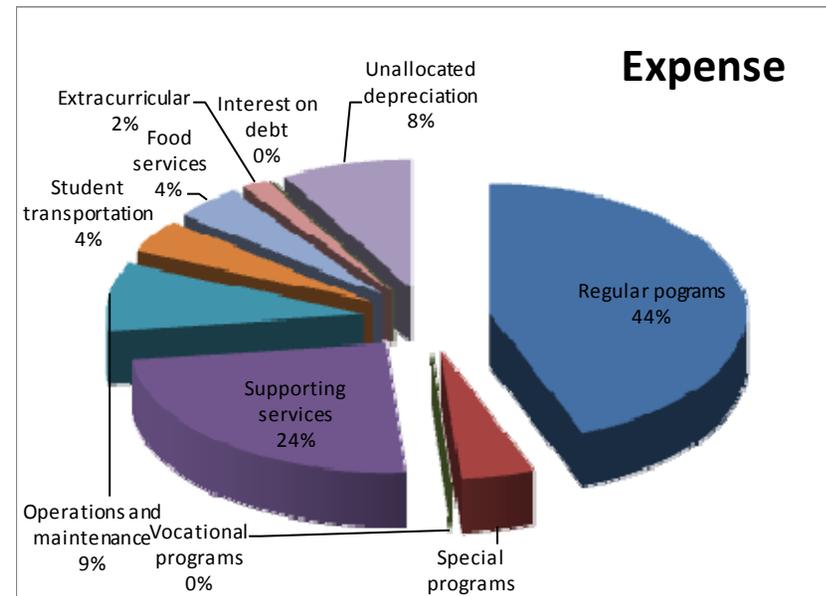
## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

June 30, 2014

### STATEMENT OF ACTIVITIES – CONTINUED

#### Expenses:

	2014	2013
Regular pograms	4,121,689	4,600,718
Special programs	432,983	647,036
Vocational programs	963	107,419
Supporting services	2,261,968	2,519,552
Operations and maintenance	802,323	1,050,085
Student transportation	399,537	365,968
Food services	400,601	424,384
Extracurricular	155,959	203,609
Interest on debt	1,361	2,420
Unallocated depreciation	764,260	886,539
<b>Total expenses</b>	<b>9,341,644</b>	<b>10,807,730</b>



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## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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June 30, 2014

### DISTRICT COMPARISONS

In Montana schools the average teacher to student ratio is one teacher for every 12 students. Lame Deer Schools averages above that ratio, but is trying to lower it as revenue will allow.

The last census shows a very young average population in our District and a high rate of unemployment as compared to other Districts, with the exception of other reservation schools in Montana. We have no reasonable expectation to run a mill levy or sell bonds based on our extremely low taxpayer base.

This is the last year in which our District will work with the Office of Public Instruction for the School Improvement Grant. While we cleaned up hundreds of thousands of dollars of issues from the previous year, this audit contains parts of material findings related to the process as it was administered by our Federal Programs Director, Payroll Department and Business Manager. We did spend the entire amount allotted and were even awarded extra grant funding in the end, which is the good news of our last SIG year. Due to our low income levels, we qualify for school wide Title I program.

### THE FUTURE OF THE DISTRICT

We still have not achieved annual yearly progress for purposes of the No Child Left Behind Act.

Due to being in the last year of our SIG grant, we will need to continue some programs with District funding or find other sources of grant money to help with programs that were started during the SIG process. We should be able to accomplish this.

Lame Deer JH/HS utilizes the program Gaining Early Awareness and Readiness for Undergraduate Programs or GEAR UP. The goals for the program are to encourage and prepare students to stay in school, set high academic expectations, study hard, and take courses preparing for continuing education in colleges and trade schools. Gear UP emphasizes community outreach and parental involvement. There is a parent support group with monthly meetings and a parent center. The results are raising the standards of achievement for all students at Lame Deer.

In the continued effort to improve academic success and increase graduation numbers, Lame Deer School utilizes the attendance computer software Infinite Campus. This provides easy access to attendance records and academic performance to students, parents, and teachers over the school website. This website also contains downloadable student handbooks and school board policies. The school calendar and current school newsletter are available online, as well as the school food menu. This website promotes community outreach.

A federal impact aid construction grant of approximately \$4.2 million has been utilized to construct the 2<sup>nd</sup> phase of the elementary construction. The second phase money has been applied for through the same process and has been awarded.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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June 30, 2014

### CONTACTING THE DISTRICT CONCERNING FININCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact School District No. 6, P.O. Box 96, 103 West Boundary Street, Lame Deer, MT 59043.



## INDEPENDENT AUDITOR'S REPORT

September 30, 2015

Board of Trustees  
Lame Deer Public School District No. 6  
Rosebud County  
Lame Deer, 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 Lame Deer Public School District No. 6, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Lame Deer Public School District No. 6's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Lame Deer Public School District No. 6'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.

### **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 unmodified audit opinion on the governmental activities, general fund, elementary retirement fund, and aggregate remaining fund information; and qualified audit opinions on the elementary miscellaneous programs fund and high school miscellaneous programs fund.

***Summary of Opinions***

<b>Opinion Unit</b>	<b>Type of Opinion</b>
Governmental Activities	Unmodified
General Fund	Unmodified
Elementary Retirement Fund	Unmodified
Elementary Miscellaneous Programs Fund	Qualified
High School Miscellaneous Programs Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

***Basis for Qualified Opinion on Major Fund(s)***

Management has not maintained adequate records pertaining to payroll disbursements in the elementary miscellaneous programs fund and the high school miscellaneous programs fund. Accounting principles generally accepted in the United States of America require that an adequate documentation of transactions be retained to so support the disbursement of funds, which would increase the assets and fund balances and change the expenditures in the elementary miscellaneous programs fund and the high school miscellaneous programs fund. The amount by which this departure would affect the assets, fund balances, and expenditures of the elementary miscellaneous programs fund and the high school miscellaneous programs fund has not been determined.

***Qualified Opinion on Major Fund(s)***

In our opinion, except for the effects, if any, of the matter described in the Basis for Qualified Opinion paragraph on the elementary miscellaneous programs fund and the high school miscellaneous programs fund, the financial statements referred to above present fairly, in all material respects, the respective financial position of the elementary miscellaneous programs fund and the high school miscellaneous programs fund of Lane Deer Public School District No. 6, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinion on the Governmental Activities, General Fund, Elementary Retirement, and Aggregate Remaining Fund Information***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, general fund, elementary retirement fund and aggregate remaining fund information for Lame Deer Public School District No. 6, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***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 Lame Deer Public School District No. 6's basic financial statements. The combining balance sheet – general fund, combining schedule of revenue, expenditures and changes in fund balance – general fund, extracurricular fund – schedule of cash receipts, disbursements and changes in net position, schedule of reported enrollment and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining balance sheet – general fund, combining schedule of revenue, expenditures and changes in fund balance – general fund, extracurricular fund – schedule of cash receipts, disbursements and changes in net position, schedule of reported enrollment, and schedule of expenditures of federal awards 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 combining balance sheet – general fund, combining schedule of revenue, expenditures and changes in fund balance – general fund, extracurricular fund – schedule of cash receipts, disbursements and changes in net position, schedule of reported enrollment, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015 on our consideration of Lame Deer Public School District No. 6'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 Lame Deer Public School District No. 6's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP  
Billings, Montana

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## BASIC FINANCIAL STATEMENTS

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### Government-Wide Financial Statements

#### STATEMENT OF NET POSITION

June 30,

**ASSETS:**

Cash and Equivalents	5,002,765
Taxes Receivable	2,035
Due from Other Governments	275,311
Capital Assets:	
Land	2,322
Construction in progress	280,605
Other Capital Assets, net of depreciation	11,751,158
Total Capital Assets	<u>12,034,085</u>
Total Assets	<u>17,314,196</u>

**LIABILITIES:**

Accounts Payable and Accrued Expenses	15,275
Advances from Grantors	16,476
Long-term Liabilities:	
Due within one year:	
Compensated Absences	66,886
Notes Payable	61,533
Due in more than one year:	
Compensated Absences	265,987
Notes Payable	30,223
Total Liabilities	<u>456,380</u>

**NET POSITION:**

Net investment in capital assets	11,942,329
Restricted for:	
Capital projects	266,124
Other fund activities	257,988
Unrestricted	4,391,375
Total Net Position	<u>16,857,816</u>

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



## BASIC FINANCIAL STATEMENTS

### STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

	Expenses	Program Revenue		Net (Expense) Revenue
		Charges for Services	Operating Grants	
<b>Primary government</b>				
Instruction:				
Regular Programs	4,121,689	0	2,736,431	(1,385,258)
Special Programs	432,983	0	264,957	(168,026)
Vocational Programs	963	0	0	(963)
Traffic Education	0	0	323	323
Supporting Services	2,261,968	0	0	(2,261,968)
Operations & Maintenance	802,323	0	0	(802,323)
Student Transportation	399,537	0	145,824	(253,713)
Food Services	400,601	43,464	254,316	(102,821)
Extracurricular	155,959	0	0	(155,959)
Interest on Long-term debt	1,361	0	0	(1,361)
Unallocated Depreciation	764,260	0	0	(764,260)
Total governmental activities	<u>9,341,644</u>	<u>43,464</u>	<u>3,401,851</u>	<u>(5,896,329)</u>
<b>General revenues:</b>				
Property taxes, levied for general purposes				32,500
County Retirement Distribution				523,711
State Aid				3,432,964
Impact Aid				2,890,707
Interest				32,539
Miscellaneous				88,113
Special items:				
Compensation for loss of assets				95,490
Loss on asset disposal				(42,549)
Total general revenues				<u>7,053,475</u>
Change in net position				1,157,146
Net position - beginning				15,503,077
Prior Period Adjustment				197,593
Net position - beginning as restated				<u>15,700,670</u>
Net position - ending				<u>16,857,816</u>

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



## BASIC FINANCIAL STATEMENTS

### Fund Financial Statements:

### BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Elementary Retirement	Elementary Miscellaneous Programs	High School Miscellaneous Programs	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	4,465,135	111,114	0	0	426,516	5,002,765
Taxes receivable, net	2,035	0	0	0	0	2,035
Due from other funds	257,078	0	0	0	0	257,078
Due from other governments	0	0	212,147	63,164	0	275,311
Total assets	<u>4,724,248</u>	<u>111,114</u>	<u>212,147</u>	<u>63,164</u>	<u>426,516</u>	<u>5,537,189</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	0	0	0	0	15,275	15,275
Due to other funds	0	0	206,715	50,363	0	257,078
Advances from grantors	0	0	4,042	12,434	0	16,476
Total liabilities	<u>0</u>	<u>0</u>	<u>210,757</u>	<u>62,797</u>	<u>15,275</u>	<u>288,829</u>
Deferred inflow:						
Unavailable tax revenue	2,035	0	0	0	0	2,035
Total deferred inflow of resources	<u>2,035</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,035</u>
Fund balances:						
Restricted for:						
Capital projects funds	0	0	0	0	266,124	266,124
Other fund activities	0	111,114	1,390	367	145,117	257,988
Unassigned	4,722,213	0	0	0	0	4,722,213
Total fund balances	<u>4,722,213</u>	<u>111,114</u>	<u>1,390</u>	<u>367</u>	<u>411,241</u>	<u>5,246,325</u>
Total liabilities, deferred inflow of resource and fund balances	<u>4,724,248</u>	<u>111,114</u>	<u>212,147</u>	<u>63,164</u>	<u>426,516</u>	<u>5,537,189</u>

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



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## BASIC FINANCIAL STATEMENTS

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### RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2014

Total fund balance, governmental funds	5,246,325
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets 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.	12,034,085
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Property taxes receivable that are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	2,035
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Some liabilities, (such as Notes Payable and Compensated Absences) are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>(424,629)</u>
Net Position of Governmental Activities in the Statement of Net Position.	<u><u>16,857,816</u></u>

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



## BASIC FINANCIAL STATEMENTS

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Elementary Retirement</u>	<u>Elementary Miscellaneous Programs</u>	<u>High School Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Property Taxes for General Purposes	31,913	0	0	0	0	31,913
Intergovernmental:						
County	0	401,188	0	0	196,226	597,414
State	3,539,762	0	148,679	963	80,961	3,770,365
Federal	2,890,707	0	1,321,092	917,043	752,611	5,881,453
Interest on Investments	26,288	1,114	0	0	5,136	32,538
Food Services	0	0	0	0	43,464	43,464
Other	28,522	0	0	0	59,591	88,113
Total revenues	<u>6,517,192</u>	<u>402,302</u>	<u>1,469,771</u>	<u>918,006</u>	<u>1,137,989</u>	<u>10,445,260</u>
<b>EXPENDITURES</b>						
Current:						
Instruction	2,260,398	353,361	1,022,196	795,745	123,817	4,555,517
Supporting Services	1,556,825	106,831	392,699	86,344	117,770	2,260,469
Operations and Maintenance	745,765	40,932	0	0	15,627	802,324
Student Transportation	216,290	24,569	0	0	158,678	399,537
Food Services	90,056	20,271	0	0	290,274	400,601
Extracurricular	145,949	4,036	0	0	9,145	159,130
Capital Outlay	62,905	0	54,875	118,746	277,288	513,814
Debt Service	60,456	0	0	0	0	60,456
Total Expenditures	<u>5,138,644</u>	<u>550,000</u>	<u>1,469,770</u>	<u>1,000,835</u>	<u>992,599</u>	<u>9,151,848</u>
Excess (deficiency) of revenues over expenditures	1,378,548	(147,698)	1	(82,829)	145,390	1,293,412
<b>OTHER FINANCING SOURCES (USES)</b>						
Compensation for loss of asset	95,490	0	0	0	0	95,490
Transfers in	0	0	0	82,829	0	82,829
Transfers out	(82,829)	0	0	0	0	(82,829)
Total other financing sources and uses	<u>12,661</u>	<u>0</u>	<u>0</u>	<u>82,829</u>	<u>0</u>	<u>95,490</u>
Net change in fund balances	1,391,209	(147,698)	1	0	145,390	1,388,902
Fund balances - beginning	3,331,004	258,812	1,389	367	265,851	3,857,423
Fund balances - ending	<u>4,722,213</u>	<u>111,114</u>	<u>1,390</u>	<u>367</u>	<u>411,241</u>	<u>5,246,325</u>

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



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## BASIC FINANCIAL STATEMENTS

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### 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: 1,388,902

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. (764,260)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the loss of the asset sold. (42,549)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 587

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

Compensated absences expense 1,557

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

Capital outlays, not including capital assets under leases 513,814

Principal payments on debt 59,095

Change in net position of governmental activities 1,157,146

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



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## BASIC FINANCIAL STATEMENTS

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### STATEMENT OF FIDUCIARY NET POSITION AND CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2014

	<u>PRIVATE PURPOSE TRUST STUDENT ACTIVITY FUND</u>
FIDUCIARY NET POSITION	
Assets:	
Cash	71,946
Total Assets	<u>71,946</u>
Net Position:	
Held in Trust for Student Activities	71,946
Total Net Position	<u><u>71,946</u></u>
CHANGES IN FIDUCIARY NET POSITION	
Additions	
Revenue	<u>102,928</u>
Deductions	
Expenses	<u>106,928</u>
Change in Net Position	(4,000)
Net Position, Beginning of Year	<u>75,946</u>
Net Position, End of Year	<u><u>71,946</u></u>

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



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

#### Note A. Description of the School District and Reporting Entity

##### 1. Reporting Entity

Lame Deer Public School District No. 6 was established under Montana law to provide educational services below the college and university level to residents of the District. The District actually consists of two separate legal entities, High School and Elementary districts. Accounting records of both districts must be maintained separately per State Law because of differences in funding and tax base. Each district is managed by a Board of Trustees, elected by the citizens and by a central administration appointed by and responsible to the Boards.

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 that would result in the District being considered a component unit of the entity.

Rosebud County provides substantial services to the District; tax billings, cash collections, debt payments 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 Rosebud 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.

The District functions in a fiduciary capacity relating to the Student Extracurricular Fund.



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

#### Note B. Summary of Significant Accounting Policies

The financial statements of Lame Deer Public School District No. 6 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 with the exception of the extracurricular fund. The extracurricular fund, which accounts for the extracurricular activities of the District's students, is reported as a private purpose trust fund in the statement of fiduciary net position and changes in fiduciary net position.

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.

###### 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 emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor 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.



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

#### 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. The District maintains the General Fund to account for most of the instructional and administrative aspects of the District's operations and to account for repair and maintenance of District property.

**Elementary and High School Impact Aid** – The Impact Aid Fund (Title VIII) Authorized by Section 20-9-514, MCA for the purpose of the receipt and expenditure of Public Law 81-874 Impact Aid.

The General Fund has been blended with the elementary and high school Impact Aid funds on the governmental fund financial statements for financial reporting purposes under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

**Elementary Retirement Fund** - The Retirement Fund Authorized by Section 20-9-501, MCA, for the purpose of financing the employer's contribution to the Teachers' Retirement System (TRS), the Public Employees Retirement System (PERS), Unemployment Compensation, Social Security and Medicare, Funded by the countywide levy for retirement.

**Elementary and High School Miscellaneous Programs** – The Miscellaneous Programs fund is used 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.

#### 3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee capacity for others and are therefore not available to support District programs. The reporting focus is on net position and changes in net position and are reported using generally accepted accounting principles similar to business in the private sector.

The District's fiduciary funds are presented in the statement of fiduciary net position and statement of changes in fiduciary net position by type (private purpose and agency). Because by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

#### 4. 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, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

##### b. 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 property taxes, 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.

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 resources, the deferred inflow of resources for unavailable revenue and the liability for advances from grantors are removed from the balance sheet and revenue is recognized.



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

#### 5. Cash and Investments

Cash resources of the District for all funds other than the Extracurricular Fund, are combined with cash resources of other school districts within Rosebud County to form a pool of cash and cash equivalents that is managed by the Rosebud 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 Montana short-term investment pool. Interest income received as a result of pooling is distributed to the appropriate governmental entity utilizing a formula based on the respective entity'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.

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

	<u>Payroll Clearing</u>	<u>Claims Clearing</u>
Cash	<u>512,557</u>	<u>277,128</u>
Warrants payable	<u>512,557</u>	<u>277,128</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.

Extracurricular Fund cash of \$73,651 at June 30, 2014 is held at First Interstate Bank. The First Interstate Bank balance is insured by the FDIC up to \$250,000.



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

#### 6. 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.

Buildings, improvements, and equipment are depreciated using the straight-line depreciation method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20-40 Years
Machinery and Equipment	5-30 Years

#### 7. 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.

#### 8. 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 absence 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.



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

#### 9. 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 of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable 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.

#### 10. 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.



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

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.

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.

#### 11. 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 is available.

#### 12. 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.

#### 13. 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 September 30, 2015, the date the financial statements were available to be issued.



## BASIC FINANCIAL STATEMENTS

### NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

#### Note C. Property Taxes

Property taxes are collected by Rosebud 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, Rosebud County, the collecting agent, may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds from Rosebud 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.

#### Note D. Capital Assets

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

	July 1, 2013	Adjustments/ Transfers	Additions	Deletions	June 30, 2014
CAPITAL ASSETS BEING DEPRECIATED AT COST:					
Buildings and Improvements	16,925,705	5,727,354	7,884	101,229	22,559,714
Machinery and Equipment	1,800,771	0	184,449	13,204	1,972,016
	<u>18,726,476</u>	<u>5,727,354</u>	<u>192,333</u>	<u>114,433</u>	<u>24,531,730</u>
OTHER CAPITAL ASSETS:					
Land	2,322	0	0	0	2,322
Construction in Progress	5,686,479	(5,727,354)	321,481	0	280,606
	<u>24,415,277</u>	<u>0</u>	<u>513,814</u>	<u>114,433</u>	<u>24,814,658</u>
LESS ACCUMULATED DEPRECIATION FOR:					
Buildings and Improvements	10,876,647	(197,593)	677,245	60,000	11,296,299
Machinery and Equipment	1,409,143	0	87,015	11,884	1,484,274
Total accumulated depreciation	<u>12,285,790</u>	<u>(197,593)</u>	<u>764,260</u>	<u>71,884</u>	<u>12,780,573</u>
Total	<u>12,129,487</u>				<u>12,034,085</u>



## BASIC FINANCIAL STATEMENTS

### NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

Depreciation expense was unallocated:

Unallocated Depreciation	764,260
Total Depreciation Expense	<u>764,260</u>

#### 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>Reductions</u>	<u>June 30, 2014</u>	<u>Due Within One Year</u>	<u>Long Term</u>
Intercap Loans	150,851	59,095	91,756	61,533	30,223
Compensated Absences Payable	334,430	1,557	332,873	66,886	265,987
Total	<u>485,281</u>	<u>60,652</u>	<u>424,629</u>	<u>128,419</u>	<u>296,210</u>

On September 15, 2005, the District received two loans from the Montana Board of Investments under the Intercap Revolving Loan Program of the State of Montana for a building renovation project. The notes call for bi-annual principal payments on August 15 and February 15 of each year. Interest rates are variable, at an adjusted rate as determined by the Montana Board of Investments, and are currently 4.25%.

Payments on the intercap loans are made by the elementary and high school impact aid funds. The compensated absences liability will be liquidated by several of the governmental funds.

At June 30, 2014 the annual cash flow requirement for retirement of the notes principal is as follows:

<u>Year Ending June 30,</u>	<u>Principle</u>
2014	61,533
2015	30,223
Total	<u>91,756</u>



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

#### Note F. Employee Benefit Plans

##### 1. Plan Description and Provisions

All full-time District employees participate in one of two state-wide, 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 \$4,428,715.

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 \$86,600 (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 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 \$87,710 (7.90% of eligible payroll). Total payroll for employees covered by PERS was \$1,110,251. One hundred percent of the required contributions were made for the preceding two years. They were \$174,310, \$151,911, and \$139,462 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 \$258,053 (8.47% of eligible payroll). The State of Montana contributes 2.49% of the TRS 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 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 \$248,304 (8.15% of eligible payroll). Total payroll for teaching employees was \$3,046,674. The required contributions for the current year and the preceding two years were \$506,357, \$538,498, and \$529,745 for the fiscal years ended June 30, 2014, 2013 and 2012, respectively. The District failed to remit the required contribution for the year ended June 30, 2013. The remittance for the year ended June 30, 2013 was \$533,140 which created a shortfall of \$5,358. One hundred percent of the required contributions were made for the 2014 and 2012.



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

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 financial 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. Employee workers' compensation coverage is provided through the Montana Schools Group Workers Compensation Risk Retention Program (WCRRP). Employee medical insurance is provided through the Montana Unified School Trust (MUST) plan. The District does not carry coverage for environmental damages. The risk of potential loss is low and coverage is not cost beneficial.

#### Note H. 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:

Elementary Miscellaneous Programs Fund	212,147
High School Miscellaneous Programs Fund	63,164
Total	<u>275,311</u>



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

#### Note I. Interfund Receivables

Interfund balances at June 30, 2014 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	3,610	0
Elementary Miscellaneous Programs	0	206,715
Elementary Impact Aid	203,579	0
High School Miscellaneous Programs	0	50,363
High School Impact Aid	49,889	0
Total	<u>257,078</u>	<u>257,078</u>

#### Note J. Non-Monetary Transactions

The District received \$18,520 in USDA Commodities during the 2013-2014 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as an expense of the fund receiving the commodities.

#### 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.

The District is subject to various claims and legal proceedings covering a wide range of matters. Management believes that any liability that may ultimately result from the resolution of those matters will not have a material adverse effect on the financial condition or results of operations of the District.



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## BASIC FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS – CONTINUED

For the Year Ended June 30, 2014

#### Note L. Prior Period Adjustment

During the year ended June 30, 2014, it was determined that the district incorrectly depreciated capital assets classified as construction in progress in the prior year. In order to correct this misstatement a prior period adjustment was made to the government-wide statements to remove the prior year depreciation expense from net position. The overall effect of this adjustment was to decrease accumulated depreciation by \$197,953 and increase net position by \$197,953.





**REQUIRED SUPPLEMENTAL INFORMATION**

**Lame Deer Public School District No. 6**

Rosebud County  
Lame Deer, Montana  
June 30, 2014

## REQUIRED SUPPLEMENTAL INFORMATION

### BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

	GENERAL FUND		ELEMENTARY RETIREMENT	
	ORIGINAL AND FINAL BUDGET	ACTUAL	ORIGINAL AND FINAL BUDGET	ACTUAL
<b>REVENUES</b>				
Taxes	32,582	31,913	0	0
Intergovernmental - County	0	0	401,188	401,188
Intergovernmental - State	3,539,762	3,539,762	0	0
Interest on investments	1,217	1,744	0	1,114
Other revenue	611	4,295	0	0
Total revenues before reappropriations	<u>3,574,172</u>	<u>3,577,714</u>	<u>401,188</u>	<u>402,302</u>
Budgeted reappropriations	0		148,812	
Total revenues and reappropriations	<u>3,574,172</u>		<u>550,000</u>	
<b>EXPENDITURES</b>				
Current:				
Instruction	3,574,172	1,757,570	550,000	353,361
Supporting services	0	1,218,385	0	106,831
Operations and maintenance	0	529,899	0	40,932
Student transportation	0	0	0	24,569
Food services	0	0	0	20,271
Extracurricular	0	69,213	0	4,036
Total expenditures	<u>3,574,172</u>	<u>3,575,067</u>	<u>550,000</u>	<u>550,000</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	2,647	<u>0</u>	(147,698)
Fund balances, beginning (Non-GAAP budgetary basis)		<u>56,736</u>		<u>258,812</u>
Fund balances, ending (Non-GAAP budgetary basis)		59,383		111,114
Adjustments to generally accepted accounting principles				
Current year encumbrances included in expenditures		<u>0</u>		<u>0</u>
Fund balances, ending (GAAP basis)		<u>59,383</u>		<u>111,114</u>



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## REQUIRED SUPPLEMENTAL INFORMATION

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### 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>
Governmental Funds		
General	X	
Transportation	X	
Bus Depreciation	X	
School Food Services		X
Tuition	X	
Retirement	X	
Miscellaneous Programs		X
Adult Education	X	
Traffic Education		X
Compensated Absences		X
Lease Rental		X
Impact Aid		X
Technology	X	
Flex Fund	X	
Interlocal		X
Debt Service	X	
Building		X
Building Reserve	X	
Endowment		X
Fiduciary Funds		
Extracurricular		X
Payroll Clearing		X
Claims Clearing		X



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## REQUIRED SUPPLEMENTAL INFORMATION

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### NOTES TO BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the Year Ended June 30, 2014

The District's budget is prepared on the modified accrual basis of accounting, including encumbrances, 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. 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.

#### 2. Budgetary policy follows:

- 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.
- 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.
- 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, except for encumbrances discussed below.
- 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.
- 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. The District has no encumbrances at June 30, 2014.





**SUPPLEMENTAL INFORMATION**

**Lame Deer Public School District No. 6**

Rosebud County  
Lame Deer, Montana  
June 30, 2014

## SUPPLEMENTAL INFORMATION

### COMBINING BALANCE SHEET – GENERAL FUND

For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Impact Aid Elementary</u>	<u>Impact Aid High School</u>	<u>Total General Fund</u>
<b>ASSETS</b>				
Cash and cash equivalents	55,773	2,851,873	1,557,489	4,465,135
Taxes receivable, net	2,035	0	0	2,035
Due from other funds	3,610	203,579	49,889	257,078
Total assets	<u>61,418</u>	<u>3,055,452</u>	<u>1,607,378</u>	<u>4,724,248</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred inflow:				
Unavailable tax revenue	2,035	0	0	2,035
Total Deferred inflow of resources	<u>2,035</u>	<u>0</u>	<u>0</u>	<u>2,035</u>
Fund balances:				
Unassigned	59,383	3,055,452	1,607,378	4,722,213
Total fund balances	<u>59,383</u>	<u>3,055,452</u>	<u>1,607,378</u>	<u>4,722,213</u>
Total liabilities, deferred inflow of resource and fund balances	<u>61,418</u>	<u>3,055,452</u>	<u>1,607,378</u>	<u>4,724,248</u>



## SUPPLEMENTAL INFORMATION

### COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GENERAL FUND

For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Impact Aid Elementary</u>	<u>Impact Aid High School</u>	<u>Total General Fund</u>
<b>REVENUES</b>				
Property Taxes for General Purposes	31,913	0	0	31,913
Intergovernmental:				
State	3,539,762	0	0	3,539,762
Federal	0	2,231,948	658,759	2,890,707
Interest on Investments	1,744	16,953	7,591	26,288
Other	4,295	13,613	10,614	28,522
Total revenues	<u>3,577,714</u>	<u>2,262,514</u>	<u>676,964</u>	<u>6,517,192</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	1,757,570	361,548	141,280	2,260,398
Supporting Services	1,218,385	252,765	85,675	1,556,825
Operations and Maintenance	529,899	99,371	116,495	745,765
Student Transportation	0	176,895	39,395	216,290
Food Services	0	72,378	17,678	90,056
Extracurricular	69,213	49,404	27,332	145,949
Capital Outlay	0	60,288	2,617	62,905
Debt Service	0	43,848	16,608	60,456
Total Expenditures	<u>3,575,067</u>	<u>1,116,497</u>	<u>447,080</u>	<u>5,138,644</u>
Excess (deficiency) of revenues over expenditures	2,647	1,146,017	229,884	1,378,548
<b>OTHER FINANCING SOURCES (USES)</b>				
Compensation for loss on asset	0	95,490	0	95,490
Transfers out	0	0	(82,829)	(82,829)
Total other financing sources and uses	<u>0</u>	<u>95,490</u>	<u>(82,829)</u>	<u>12,661</u>
Net change in fund balances	2,647	1,241,507	147,055	1,391,209
Fund balances - beginning	<u>56,736</u>	<u>1,813,945</u>	<u>1,460,323</u>	<u>3,331,004</u>
Fund balances - ending	<u><u>59,383</u></u>	<u><u>3,055,452</u></u>	<u><u>1,607,378</u></u>	<u><u>4,722,213</u></u>



## SUPPLEMENTAL INFORMATION

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Disbursements or Expenditures
U.S. Department of Education		
Direct Programs		
Impact Aid Cluster		
Impact Aid (Elementary)	84.041	1,116,454
Impact Aid (High School)	84.041	529,910
Impact Aid Discretionary Construction Grant	84.041C	254,129
Total Impact Aid Cluster		1,900,493
Indian Education_ Grants to Local Educational Agencies	84.060	120,256
Total Direct Programs		2,020,749
U.S. Department of Education		
Passed through Montana Office of Public Instruction		
Title I, Part A Cluster		
Title I Grants to Local Educational Agencies (HS 2012-13)	84.010	34,816
Title I Grants to Local Educational Agencies (HS 2013-14)	84.010	140,549
Title I Grants to Local Educational Agencies (Elementary 2012-13)	84.010	84,561
Title I Grants to Local Educational Agencies (Elementary 2013-14)	84.010	454,199
Title I Grants to Local Educational Agencies (St. Labre 2012-13)	84.010	6,700
Title I Grants to Local Educational Agencies (St. Labre 2013-14)	84.010	29,499
Total Title I, Part A Cluster		750,324
Special Education Cluster (IDEA)		
Special Education - Grants to States (Elementary IDEA, Part B)	84.027	10,150
Special Education - Grants to States (HS IDEA, Part B)	84.027	50,553
Special Education - Preschool Grants (IDEA, Part B)	84.173	120,007
Total Special Education Cluster (IDEA)		180,710
Career and Technical Education (2012-13)	84.048	7
Career and Technical Education (2013-14)	84.048	28,991
Gaining Early Awareness and Readiness for Undergraduate Programs (2013-14)	84.334	33,837
Improving Teacher Quality State Grants (St Labre)	84.367	17,202
School Improvement Grant	84.377	1,189,640
Total Passed through Montana Office of Public Instruction		2,200,711
Total Department of Education		4,221,460



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## SUPPLEMENTAL INFORMATION

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### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended June 30, 2014

<u>Federal Grantor/Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Disbursements or Expenditures</u>
U.S. Department of Agriculture Passed through Montana Office of Public Instruction		
Child Nutrition Cluster:		
Cash Assistance:		
School Breakfast Program	10.553	79,453
National School Lunch Program	10.555	186,550
Summer Food Service Program for Children	10.559	6,382
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	18,520
Total Child Nutrition Cluster		<u>290,905</u>
Total Department of Agriculture		<u>290,905</u>
Total Federal Financial Assistance		<u><u>4,512,365</u></u>



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## SUPPLEMENTAL INFORMATION

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### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

#### **Note A Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lame Deer Public School District No. 6 and is presented on the modified accrual basis of accounting including encumbrances. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule differ from amounts presented in or used in the preparation of the financial statements.

#### **Note B Nonmonetary Transactions**

The District received \$18,520 in USDA Commodities during the 2013-2014 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as an expense of the Fund receiving the commodities.

#### **Note C Subrecipient**

The District provided \$36,199 worth of assistance to a subrecipient from the Title I Grants to Local Educational Areas.



## SUPPLEMENTAL INFORMATION

### EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION

For the Year Ended June 30, 2014

Student Activity	Net Position July 1, 2013	Disbursements	Receipts	Transfers	Net Position June 30, 2014
Adventure Club	84	0	0	0	84
Class of 2014	696	33,980	26,060	0	(7,224)
Class of 2015	1,221	3,439	3,238	0	1,020
Class of 2016	30	0	2,585	0	2,615
Class of 2017	2,549	255	281	256	2,831
English/Communication Club	473	0	0	0	473
HS Athletics	7,162	12,127	8,291	0	3,326
HS Cheerleading	491	135	452	0	808
HS Computer Business	1,922	1,924	1,155	0	1,153
HS Concessions	5,794	9,654	15,918	0	12,058
HS FFA	6,562	0	0	0	6,562
HS General Fund	165	3,000	3,259	0	424
HS Girls Basketball	4,135	4,311	7,657	0	7,481
HS Golf Club	616	0	0	0	616
HS/JH Band	185	95	0	0	90
HS/JH Incentives	625	0	0	0	625
HS Library	1,006	0	0	0	1,006
HS Morning Star Store Acct	1,113	0	0	0	1,113
HS Pep Club	(1)	0	0	1	0
HS Special Education	434	0	0	0	434
HS Student Council	987	1,128	765	0	624
HS Yearbook	953	0	29	0	982
JMG Leadership	908	0	263	0	1,171
Lame Deer Morning Star Math Club	802	0	0	0	802
Native American Club	684	221	100	0	563
Parent Center	573	216	346	0	703
Subtotal	40,219	70,535	70,399	257	40,340



## SUPPLEMENTAL INFORMATION

### EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - CONTINUED

For the Year Ended June 30, 2014

Student Activity	Net Position July 1, 2013	Disbursements	Receipts	Transfers	Net Position June 30, 2014
Balance from previous page	40,219	70,535	70,399	257	40,340
1st Grade	232	0	0	0	232
2nd Grade	5	184	116	0	(63)
3rd Grade	259	0	0	0	259
4th Grade	249	1,470	1,619	0	398
5th Grade	(118)	0	0	0	(118)
6th Grade	346	263	218	0	301
After School Learning	223	0	379	0	602
Aises Club	4,441	300	240	0	4,381
Cafeteria	125	0	0	0	125
Class of 2016	257	0	0	(257)	0
Class of 2017	1,475	945	110	0	640
Elementary General	243	20,305	20,206	0	144
Elementary Library	1,059	2,104	2,038	0	993
Elementary Special Education	86	0	0	0	86
JH Boys Basketball	4,000	4,060	531	0	471
JH Boys Football	2,582	275	0	0	2,307
JH Cheerleading	317	0	0	0	317
JH Concessions	14,626	5,565	5,694	0	14,755
JH Girls Basketball	3,592	922	1,236	0	3,906
JH Yearbook	1,035	0	142	0	1,177
Kindergarden	5	0	0	0	5
MBI Teachers Account	360	0	0	0	360
Pre School	22	0	0	0	22
Student Incentive	306	0	0	0	306
	75,946	106,928	102,928	0	71,946



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## SUPPLEMENTAL INFORMATION

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### SCHEDULE OF REPORTED ENROLLMENT

For the Year Ended June 30, 2014

Grade	Fall		Winter		Spring	
	Enrollment Per FR-4	Enrollment Per District Record	Enrollment Per FR-4	Enrollment Per District Record	Enrollment Per FR-4	Enrollment Per District Record
K-6	324	324	325	326	339	340
7-8	63	63	63	63	61	61
9-12	106	106	91	91	102	102
Totals	<u>493</u>	<u>493</u>	<u>479</u>	<u>480</u>	<u>502</u>	<u>503</u>



**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**

September 30, 2015

Board of Trustees  
Lame Deer Public School District No. 6  
Lame Deer, 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 Lame Deer Public School District No. 6 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Lame Deer Public School District No. 6's basic financial statements, and have issued our report thereon dated September 30, 2015. In our report we expressed qualified opinions on the major fund opinion unit for the Elementary Miscellaneous Programs and High School Miscellaneous Programs funds because we were unable to obtain sufficient evidence to support the value of the wages paid recorded in those funds.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lame Deer Public School District No. 6'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 Lame Deer Public School District No. 6's internal control. Accordingly, we do not express an opinion on the effectiveness of Lame Deer Public School District No. 6's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2014-003, 2014-004, and 2014-005 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lame Deer Public School District No. 6's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2014-001.

### **Lame Deer Public School District No. 6 Response to Findings**

Lame Deer Public School District No. 6's responses to the findings identified in our audit are described in the accompanying corrective action plan. Lame Deer Public School District No. 6 responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

September 30, 2015

Board of Trustees  
Lame Deer Public School District No. 6  
Lame Deer, Montana

**Report on Compliance for Each Major Federal Program**

We have audited Lame Deer Public School District No. 6's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Lame Deer Public School District No. 6's major federal programs for the year ended June 30, 2014. Lame Deer Public School District No. 6's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Lame Deer Public School District No. 6's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lame Deer Public School District No. 6's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lame Deer Public School District No. 6's compliance.

***Basis for Qualified Opinion on 84.010 Title I Grants to Local Educational Agencies and 84.377 School Improvement Grant***

As described in the accompanying schedule of findings and questioned costs, Lame Deer Public School District No. 6 did not comply with requirements regarding CFDA 84.010 Title I Grants to Local Educational Agencies and CFDA 84.377 School Improvement Grant as described in finding numbered 2014-008 for Allowable Cost. Compliance with such requirement is necessary, in our opinion, for Lame Deer Public School District No. 6 to comply with the requirements applicable to that program.

***Qualified Opinion on 84.010 Title I Grants to Local Educational Agencies and 84.377 School Improvement Grant***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Lame Deer Public School District No. 6 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.010 Title I Grants to Local Educational Agencies and CFDA 84.377 School Improvement Grant for the year ended June 30, 2014.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance with the compliance requirements referred to above that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-006 and 2014-007. Our opinion on each major federal program is not modified with respect to these matters.

Lame Deer Public School District No. 6's responses to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. Lame Deer Public School District No. 6's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of Lame Deer Public School District No. 6 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lame Deer Public School District No. 6's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lame Deer Public School District No. 6's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-007 and 2014-008 to be material weaknesses.

Lame Deer Public School District No. 6's responses to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. Lame Deer Public School District No. 6's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP  
Billings, Montana

## SUPPLEMENTAL INFORMATION

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

#### Section I - Summary of Auditor's Results

##### Financial Statements

Type of Auditor's report issued:

Governmental Activities, General and Elementary Retirement Major Funds and Aggregate Remaining Fund Information

Unmodified

Elementary Miscellaneous Programs and High School Miscellaneous Programs Major Funds

Qualified

Internal control over financial reporting:

- Material weaknesses identified?

    X     Yes            No

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

    X     Yes            No

Noncompliance material to financial statements noted?

    X     Yes            No

##### Federal Awards

Internal control over major programs:

- Material weaknesses identified?

    X     Yes            No

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

           Yes     X     No

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

Qualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

    X     Yes            No

#### Identification of Major Programs:

CFDA Number(s)

84.010

84.377

Name of Federal Program or Cluster

Title I Grants to Local Educational Agencies

School Improvement Grant



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## SUPPLEMENTAL INFORMATION

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

For the Year Ended June 30, 2014

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Is the auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes        X   No

### Section II - Financial Statement Findings

#### 2014-001      Budgets

Criteria or Specific Requirement: Montana statute MCA 20-9-133(2) requires that money of the District may not be used to pay expenditures made, liabilities incurred or warrants issued in excess of the final budget established for each budgeted fund.

Condition: At June 30, 2014, the District had overspent its Elementary General Fund, Elementary Technology Fund and High School Technology Fund budgets by \$895, \$4,462 and \$1,687, respectively.

Context: We compared the District's actual expenditures to budgeted expenditures for each budgeted fund to insure that budgeted funds were not overspent.

Effect: The District is in violation of Montana statute MCA 20-9-133(2).

Cause: Oversight.

Recommendation: We recommend that expenditures be tracked regularly to ensure they do not exceed final budgeted amounts.



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## SUPPLEMENTAL INFORMATION

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

For the Year Ended June 30, 2014

#### 2014-002 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 some exceptions. There was one student that was not included in the winter count that should not have been counted and one student that was not included in the spring count that should have been counted. The effect was to understate enrollment by one student for the winter and spring counts.

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

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

Cause: The District's review process for determining eligible students to be counted for reporting its enrollment count to the Montana Office of Public Instruction are not functioning.

Recommendation: 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.



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## SUPPLEMENTAL INFORMATION

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

For the Year Ended June 30, 2014

#### 2014-003 Account Reconciliation

##### Account Reconciliations

Criteria or Specific Requirement: The reconciliation of account balances is an important internal control activity performed by management to determine that all account balances are recorded, presented and fairly reported.

Condition: Controls are note in place to perform timely reconciliations for the following balance sheet areas, cash, fixed assets, debt balances and compensated absences.

Context: We made inquiries of management, reviewed account balances and performed analytical procedures.

Effect: Without performing monthly account reconciliations, information provided to management may not be accurate. Additionally, the probability that misappropriation of assets or material errors will occur and remain undetected greatly increases.

Cause: During the year under audit the District experienced a high level of turn over within the accounting department. Furthermore the District does not have adequate policies and procedures and has not properly trained staff to ensure that account balances are accurately reflected in the general ledger and reconciled in a timely manner.

Recommendation: The District should provide adequate staff training to ensure all accounts are recorded and reconciled in a timely manner.



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## SUPPLEMENTAL INFORMATION

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

For the Year Ended June 30, 2014

#### 2014-004 Internal Controls over Payroll Documentation

Criteria or Specific Requirement: The District should maintain sufficient internal controls over payroll documentation to ensure that all required documentation is properly maintained and authorized.

Condition: The District currently maintains insufficient documentation and internal controls over payroll documentation. Time cards to support hours worked by the employees are not being sufficiently maintained to support the payment of wages to employees. Also approved employee contracts are not being sufficiently maintained to support the wage amount to be paid to employees in the payroll system.

Context: We performed testing of payroll to verify that employees were paid for hours worked. During this test we noted 138 instances out of 284 in which no time card or other supporting documentation could be located to support hours paid to employees. We also performed testing of payroll to verify that employees were paid at the appropriate rates. We noted 3 instances out of 26 tested where the employees approved contract could not be located.

Effect: Without sufficient documentation pertaining to hours worked and approved wages to be paid, there is a higher risk of errors, fraud, or other misstatements going unnoticed.

Cause: The filing system and time reporting method used by the District is inadequate to maintain sufficient documentation over time cards and employee contracts.

Recommendation: The District should review its procedures related to time reporting and filing of records to ensure that all such documentation is properly maintained.



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## SUPPLEMENTAL INFORMATION

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

For the Year Ended June 30, 2014

#### 2014-005 Payroll Documentation

Criteria or Specific Requirement: The accounting systems, including processes and records, should provide adequate information to support the balances reported in the financial records.

Condition: The District's records pertaining to payroll wages paid were not sufficient to support wages paid in the Elementary Miscellaneous Programs Fund and the High School Miscellaneous Programs Fund. The District could not properly support with time cards, wages paid totaling \$28,668 and \$61,028 from the Elementary Miscellaneous Programs Fund and the High School Miscellaneous Programs Fund, respectively.

Context: We tested payroll transactions for supporting documentation pertaining to hours worked. We requested evidence of support for hours paid to employees.

Effect: Payroll expenditures reported in the Elementary Miscellaneous Programs Fund and the High School Miscellaneous Programs Fund could be material misstated.

Cause: The filing system and time reporting method used by the District is inadequate to maintain sufficient documentation over time cards and employee contracts.

Recommendation: The District should review its procedures related to time reporting and filing of records to ensure that all such documentation is properly maintained.



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## SUPPLEMENTAL INFORMATION

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

For the Year Ended June 30, 2014

#### Section III - Federal Award Findings and Questioned Costs

##### 2014-006      Audit Submission

Funding Agency: All agencies listed on Schedule of Expenditures of Federal Awards

Title: All programs listed on Schedule of Expenditures of Federal Awards

CFDA Number: All programs listed on Schedule of Expenditures of Federal Awards

Criteria or Specific Requirement: OMB Circular A-133 requires that single audits be submitted within nine months after the grantee's year end.

Condition: The 2014 audit was not submitted by the mandated due date.

Context: Single audits are due nine months after year-end, in this case March 31, 2014.

Questioned Costs: NA

Effect: Federal and/or state funding could be jeopardized.

Cause: Inadequate planning and preparation did not allow for a timely audit submission.

Recommendation: The District should take steps to ensure that its financial records are maintained on a current basis and reconciled timely to ensure that the annual audit can be performed within the necessary time frame to ensure a timely submission.



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## SUPPLEMENTAL INFORMATION

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

For the Year Ended June 30, 2014

#### 2014-007 Allowable Costs - Documentation of Employee Time and Effort

Funding Agency: United States Department of Education

Title: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Criteria or Specific Requirement: The U.S. Department of Education and OMB Circular A-87 require that employees paid by both federal and other sources must track their time and effort to ensure that only time expended under a federal program is paid for by the federal program.

Condition: During testing over of controls over Title I Expenditures, 8 deviations were noted. The deviations consisted of 8 instances in which employees were allocated to the Title I program and no time and effort logs were maintained.

Context: We selected a sample of 14 employees for compliance and control testing for the Title I Grant.

Questioned Costs: NA

Effect: Expenditures made under the grant could be unallowable resulting in repayment of grant funding to the grantor.

Cause: The District failed to maintain proper time and effort logs for teachers and paraprofessionals in Title I program resulting in unallowable payroll expenditures being made.

Recommendation: We recommend the District implement controls to ensure that all time and effort logs are maintained and payroll records are updated accordingly.



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## SUPPLEMENTAL INFORMATION

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

For the Year Ended June 30, 2014

#### 2014-008 Control and Compliance over Allowable Cost

Funding Agency: United States Department of Education

Title: Title I Grants to Local Educational Agencies and School Improvement Grant

CFDA Number: 84.010 and 84.377

Criteria or Specific Requirement: In accordance with OMB Circular A-87, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards to be considered allowable under Federal awards. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at that time the decision was made to incur the cost.

Condition: During compliance testing, we noted the following instances of costs charged in excess of what would be paid by a prudent person and of a type not generally recognized as ordinary and necessary for program operations.

The Title I program paid wages to employees in 42 payroll transactions in which time cards or support could not be provided to support the hours worked by the employee.

The School Improvement Grant program paid wages to employees in 96 payroll transactions in which time cards or support could not be provided to support the hours worked by the employee.

Context: During our testing of the Title I program we tested 128 payroll transactions for proper supporting documentation.

During our testing of the School Improvement Grant program we tested 156 payroll transactions for proper supporting documentation.

Questioned Costs: Payroll questioned costs were noted as follows, \$29,499 worth of question cost in the Title I program and \$60,198 worth of question cost in the School Improvement Grant.

Effect: The District may be charging costs not in compliance with the regulations.

Cause: The District did not ensure costs charged to the grants were reasonable and properly documented. Furthermore the Districts filing system and time reporting method is inadequate to maintain sufficient documentation over time cards and employee contracts.

Recommendation: We recommend the District implement procedures to ensure costs charged meet the reasonableness requirement for allowable costs under OMB Circular A-87. We also recommend the District ensure all cost charged to the grants are properly supported by adequate documentation to justify the expenditure.



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## SUPPLEMENTAL INFORMATION

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### **Section IV –Summary Schedule of Prior Audit Findings**

2013-001 – Implemented

2013-002 – Implemented





Elementary School  
Ph. (406) 477-6431  
Fax (406) 477-8234

# Lame Deer Public School

District No. 6      Rosebud County  
P.O. Box 96  
Lame Deer, Montana 59043  
Phone: (406) 477-6305  
Fax (406) 477-6535



High School  
Ph. (406) 477-8900  
Fax (406) 477-8906

## Lame Deer Public School 2013-2014 Audit Response

Following is Lame Deer Public School District No. 6's response to the internal control over compliance findings identified by the Galusha, Higgins, Galusha Audit.

### **Section II- Financial Statement Findings**

#### *2014-001 Budgets*

Lame Deer Public Schools agrees with the recommendation that expenditures be tracked regularly to ensure they do not exceed final budgeted amounts.

#### *2014-002 Enrollment*

Lame Deer Public Schools agrees with the recommendation to have a control in place for the enrollment records to be reviewed with the count to ensure all students are being properly included or exclude from the count. Apparently, we were one over and one under. Net result does not require any correction in revenue with the State of Montana.

#### *2014-003 Account Reconciliation*

Lame Deer Public Schools agrees with the recommendation to provide adequate staff training to ensure all accounts are recorded and reconciled in a timely manner.

#### *2014-004 Internal Controls over Payroll Documentation*

The District agrees with the recommendation to review its procedures related to time reporting and filing of records to ensure that all such documentation is properly maintained.

#### *2014-005 Payroll Documentation*

The District agrees to review its procedures related to time reporting and filing of records to ensure that all such documentation is properly maintained.

### Section III- Federal Award Findings and Questioned Costs

#### *2014-006 Audit Submission*

The District agrees with the recommendation to take steps to ensure that its financial records are maintained on a current basis and reconciled timely to ensure that the annual audit can be performed within the necessary time frame to ensure a timely submission.

#### *2014-007 Allowable Costs- Documentation of Employee Time and Effort*

The District agrees with the recommendation to implement controls that all time and effort logs are maintained and payroll records are updated accordingly.

#### *2014-008 control and Compliance over Allowable Cost*

The District agrees with the recommendation to implement procedures to ensure costs charged meet the reasonableness requirement for allowable costs under OMB Circular A-87. Also, to ensure all cost charged to the grants are properly supported by the adequate documentation to justify the expenditure, especially time cards.

It is the belief of Lame Deer Public Schools District #6 that we have already put procedures in place to eliminate the above findings.

William A Parker



Superintendent

Lame Deer Public Schools, District #6