

**DUTTON-BRADY SCHOOL DISTRICT NO. 28C**

**TETON COUNTY  
DUTTON, MONTANA**

**FINANCIAL AND COMPLIANCE REPORT**

**Fiscal year Ended June 30, 2014**

**Strom & Associates, P. C.**  
**PO BOX 1980**  
**Billings, Montana 59103**

Dutton-Brady School District No. 28C  
Teton County  
Dutton, MT 59433

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**Dutton-Brady School District No. 28C  
Teton County  
Dutton, MT 59433**

**ORGANIZATION**

**BOARD OF TRUSTEES**

<b>Bryan Schoonover</b>	<b>Chair</b>
<b>Ron Rosholt</b>	<b>Vice Chair</b>
<b>Lee Dahlman</b>	<b>Trustee</b>
<b>Clint Ellsworth</b>	<b>Trustee</b>
<b>Vickie Henry</b>	<b>Trustee</b>

**OFFICIALS**

<b>DK Brooks</b>	<b>Superintendent</b>
<b>Betty Brumwell</b>	<b>District Clerk</b>
<b>Diane Inbody</b>	<b>County Superintendent</b>
<b>Joe Cobell</b>	<b>County Attorney</b>

**DUTTON/BRADY PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 28C, TETON COUNTY**  
**DUTTON, MT**  
**Management Discussion and Analysis (MD&A)**  
**JUNE 30, 2014**

The Superintendent and Business Manager of Dutton/Brady School District have provided this management's discussion and analysis to give the reader of these statements an overview of the financial position and activities of the school district for the year covered by this audit report.

**FINANCIAL HIGHLIGHTS**

The District's financial position was stable in 2013-2014. This was the ninth year of operation for our consolidated school district. The district continues to educate all students at one campus.

Grants are received at a relatively steady level, which give relief to taxpayers for Special programs. The 21<sup>st</sup> Century continues in the district.

The district continues to operate two Hutterite Colony attendance centers outside of Valier, MT; Birch Creek and Pondera. The combined student count is 37 students. The district also operates a third colony, Midway, which is located 10 miles west of Brady and is within the district boundaries. Midway has 16 students this year. Dutton/Brady places five certified teachers and one aide at the colonies. Two of the colonies participate in the School breakfast and lunch program, which adds additional income to the School Foods fund.

**USING THIS FINANCIAL REPORT**

Statement No. 34 of the Governmental Accounting Standards Board (GASB) requires the general format of this report. Components and purposes of the report are explained below.

**Reporting the School District as a Whole**

The report includes two district-wide statements that focus on operations of the district as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

A. The **Statement of Net Position** (page 9) shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (the resources that would remain if all obligations were settled) of the school district. The statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment, and other long-lived property, and some assets are available to fund budgets of the following year.

B. The **Statement of Activities**, (page 10) shows the amounts of program-specific and general school district revenues used to support the school district's various functions.

The Statement of Net Position and the Statement of Activities show the activities of the school district all in one category:

Governmental activities - The school functions, including instruction, student services, administration, etc. Property taxes, state and federal revenues usually support most of these functions of the district.

**Reporting the District's Most Significant Funds**

The fund statements provide detailed information about the funds used by the school district. State law and Generally Accepted Accounting Principles (GAAP) establish the fund structure of school districts. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation and debt service, in separate fund accounts.

The fund statements report balances and activities of the most significant, or "major" funds separately and combine the activities of less significant funds under a single category. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds, such as the general fund, special revenue funds for transportation and school food service, debt service, and capital outlay funds. These funds use the modified accrual basis of accounting and represent the majority of the district's activities and programs.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows are shown for proprietary (business-type) funds, covering district activities that generally provide services on a cost-recovery basis between various funds of the district, such as printing services provided by the district's Copy Center. Proprietary funds use the accrual basis of accounting.

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

**Reporting the District's Trust and Fiduciary Responsibilities**

The district is the trustee, or fiduciary, for the student extracurricular fund. This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position (page 14) because the district cannot use these assets to fund its operations. The district is responsible for ensuring these assets are used for their intended purpose.

**Budget -to- Actual Comparisons**

The budgetary comparison schedules on pages 25 and 26 show how actual expenditures compared to the original and final budgeted expenditures for the general fund. The district did not experience any significant variances between the original and final expenditure budget and the final budget and actual expenditures.

**THE DISTRICT AS A WHOLE**

**1. Changes in Net Position**

The listing of capital assets was thoroughly reviewed and assets that were no longer in use were removed. That process was completed with the assistance of the secretary that is the custodian of the fixed asset records. She keeps an accurate inventory of not only fixed assets, but other major items that come into the district. Items are recorded as soon as they are received and all items leaving the building for disposal are also recorded.

The district has an ongoing program for asset improvement. Repairs are made and equipment is replaced as necessary to keep the facility in top notch shape.

<b>TYPE</b>	<b>Governmental Activities 2012-13</b>	<b>Governmental Activities 2013-14</b>	<b>Change in Activity</b>
Current Assets	1,091,350	1,196,094	104,744
Capital Assets	837,499	776,894	(60,605)
<b>TOTAL ASSETS</b>	<b>1,928,849</b>	<b>1,972,988</b>	<b>44,139</b>
Current Liabilities	16,459	39,313	22,854
Long Term Liabilities	15,442	25,618	10,176
<b>TOTAL LIABILITIES</b>			
	<b>31,901</b>	<b>64,931</b>	<b>33,030</b>
Net Investment in Capital Assets	837,499	776,894	(60,605)
Unrestricted	810,776	844,807	34,031
Restricted	248,673	286,355	37,682
<b>TOTAL NET POSITION</b>	<b>1,896,948</b>	<b>1,908,057</b>	<b>11,109</b>

**2. General and Program Revenues**

The schedule of changes in net position provides a snapshot of the changing finances in the Dutton/Brady Public Schools.

Changes in Net Position

TYPE	Governmental Activities 2012-13	Governmental Activities 2013-14	Change in Activity
<b>REVENUES</b>			
Program Revenues:			
Charges for Services	28,813	30,168	1,355
Operating Grants	451,078	433,180	(17,898)
General Revenues:			
District Levy	793,107	821,311	28,204
State Equalization	577,473	631,679	54,206
Other State revenue	209,960	223,942	13,982
County	180,657	204,730	24,073
Federal			
Investment earnings	6,980	3,362	(3,618)
Sale of Assets	63,291	-	(63,291)
Other	21,729	22,182	453
<b>TOTAL REVENUES</b>	<b>2,333,088</b>	<b>2,370,555</b>	<b>37,467</b>
<b>EXPENSES</b>			
Other current charges			
Instruction	1,263,398	1,316,612	53,214
Support	43,597	45,003	1,406
Media	15,829	23,012	7,183
Administration	271,834	293,968	22,134
O & M	274,129	301,939	27,810
Transportation	150,729	134,778	(15,951)
Extracurricular	67,144	81,228	14,084
School Food	121,901	138,843	16,942
OPEB			
Unalloc. Depreciation	23,610	24,064	454
Other current chgs	27,038	-	(27,038)
<b>TOTAL EXPENSES</b>	<b>2,259,209</b>	<b>2,359,447</b>	<b>100,238</b>
Change in Net Position	73,879	11,109	(62,770)

3.Changes in Finances Caused by Changes in Programs

A significant decline in spending and a smaller number of staff are needed as classes get smaller and state funding does not keep up with the cost of goods and services. The 21<sup>st</sup> Century grant allows the district to offer many after-hours opportunities to students and additional employment for staff and community members.

4. Identifying and Resolving Financial Difficulties

The district did not have any budget problems or errors that significantly impacted any fund.

5. Significant Events and Trends

The district is operating with the minimum number of staff possible. All of the elementary students are in combined classrooms in 2013-14. At the present time, the district operates four sites – Dutton (grades K-12), Midway Colony, Birch Creek Colony and Pondera Colony.

Increased testing and demands on programs have resulted in the need for more training of staff. Administration and staff have the burden of extra reporting and testing which detract from the job of educating students to meet society's needs. More and more of our students come to us from broken and dysfunctional "families" and are usually several levels behind their grade. This adds further burden on the teaching staff because they are always playing catch up with these students.

## ANALYSIS OF FINANCIAL INFORMATION

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

### 1. What Does the School Do?

Dutton/Brady Public Schools' main purpose is to educate children in grades Kindergarten through 12<sup>th</sup> grade; therefore the costs revolve around instruction and supporting the instruction of students, transporting children to and from school, providing breakfast and lunch to these students along with some extracurricular activities.

### 2. Where Do the Resources Come From?

The majority of Dutton/Brady Public Schools' revenues come from property taxes and state aid. Dutton/Brady Public Schools participates in many federal programs including all of the Elementary and Secondary Education Act programs which are funded based upon the most recent census. Dutton/Brady High School also receives funding through Carl Perkins and the State Vocational Education Grants. The district participates in the 21<sup>st</sup> Century and MOST Programs.

### 3. What Does It Cost?

**Dutton/Brady Public Schools spent \$2,359,447 to educate 149 students in FY 2014.** 56 percent of that was spent on regular education instructional services to students. Administration costs accounted for 13 percent of the total expenditures, operation and maintenance costs accounted for 13 percent, school foods costs accounted for 6 percent, transportation costs accounted for 6 percent, capital outlay (depreciation) costs were 1 percent and extracurricular costs accounted for 1 percent of the total budget. The remaining 4 percent of the expenditure was in the support, media, depreciation, and business activities.

### 4. What are the Capital Assets and Debt of the District?

The capital assets of Dutton/Brady Public Schools are valued at \$776,894. The district has no debt.

### 5. Fund Deficits

Dutton/Brady Public Schools has no fund deficits at year end.

### 6. What Changes and Trends Affect the District's Future?

Declining enrollment in our rural population will have the biggest affect on the future of Dutton/Brady Schools. There is talk of an oil boom along the Rocky Mountain Front which could bring significant economic impact to our district. Of course, along with the positive aspect on increased money being brought in, and more students, there are negative impacts on the area. Right now everything is in the exploratory stage, so all of this is speculation.

School districts are required to begin moving to meet the Common Core State Standards which went into effect in 2014. The cost to transition to these standards is unknown at this time but will take significant time and assets to put in place.

Title funding continues to decline, and other Federal Programs seem to have annual reductions. Funding for the 21<sup>st</sup> Century After School Learning Center continues for another 5 years which will enable the district to provide services to the children of our communities.

Because of unfunded mandates from the state in regard to computerized testing, the district has expended significant monies to upgrade the technology infrastructure.

## CONTACT FOR FURTHER INFORMATION

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P.O. Box 1980  
Billings, Montana 59103

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Dutton-Brady School District No. 28C  
Teton County  
Dutton, MT 59433

**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 Dutton-Brady School District No. 28C as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dutton-Brady School District No. 28C 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 (pages 3 - 6), the schedule of funding for other post-employment benefits other than pensions (pages 24) and budgetary comparison information (pages 25 - 28) 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 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 inquires 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 Dutton-Brady School District No. 28C's basic financial statements. The accompanying schedule of reported enrollment (page 29) and the schedule of revenues, expenses and balances student activity funds (page 30) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of reported enrollment and the schedule of revenues, expenses and balances student activity funds 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 accompanying schedule of reported enrollment and the schedule of end of year revenues and expenses student activity funds 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 November 7, 2014 on our consideration of Dutton-Brady School District No. 28C 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 Dutton-Brady School District No. 28C internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC  
Billings, Montana  
November 7, 2014

Dutton/Brady School District No. 28C  
Teton County  
Dutton, Montana 59433

STATEMENT OF NET POSITION  
as of June 30, 2014

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,064,103
Taxes Receivable	47,089
Due From Other Governments	<u>84,902</u>
Total Current Assets	<u>1,196,094</u>
Noncurrent Assets:	
Capital Assets:	
Net Depreciable Assets	<u>776,894</u>
Total noncurrent assets	<u>776,894</u>
Total Assets	<u>\$ 1,972,988</u>
<b>LIABILITIES:</b>	
Current Liabilities	
Due to Other Governments	34,788
Current Portions Compensated Absences	<u>4,525</u>
Total Current Liabilities	<u>39,313</u>
Noncurrent Liabilities:	
Long-Term Obligations	2,250
Compensated Absences	<u>23,368</u>
Total noncurrent Liabilities	<u>25,618</u>
Total Liabilities	<u>64,931</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	776,894
Restricted	844,807
Unrestricted (deficit)	<u>286,355</u>
Total Net Position	<u>1,908,057</u>
Total Liabilities and Net Position:	<u>\$ 1,972,988</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Dutton/Brady School District No. 28C  
Teton County  
Dutton, Montana 59433

STATEMENT OF ACTIVITIES  
as of June 30, 2014

	Program Revenues			Net (Expense) Revenues and Changes in Net Position
				Primary Government
	Expenses	Charge for Services	Operating Grants and Contributions	Governmental Activities
<b>GOVERNMENT OPERATIONS</b>				
Instructional Services	\$ 1,316,612	\$ 750	\$ 272,615	\$ (1,043,247)
Support Services	45,003	-	-	(45,003)
Educational Media Services	23,012	-	-	(23,012)
General Administrative Services	293,968	-	-	(293,968)
Operation & Maintenance Services	301,939	11,850	-	(290,089)
Transportation Services	134,778	-	62,938	(71,840)
School Food Services	138,843	17,568	97,627	(23,648)
Extracurricular	81,228	-	-	(81,228)
Unallocated Depreciation Expense *	24,064	-	-	(24,064)
<b>Total Governmental Activities</b>	<b>2,359,447</b>	<b>30,168</b>	<b>433,180</b>	<b>(1,896,098)</b>
<b>GENERAL REVENUES</b>				
District Levies				821,311
State Equalization				631,679
Other State Revenues				223,942
County				204,730
Interest				3,362
Other				22,182
<b>Total General Revenues</b>				<b>1,907,207</b>
<b>Change in Net Position</b>				<b>11,109</b>
<b>Net Position</b>				
Beginning of the Year				1,896,948
End of the Year				<b>\$ 1,908,057</b>

\* Excludes depreciation included in direct expenses of the various functions

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

BALANCE SHEET  
GOVERNMENTAL FUNDS  
as of June 30, 2014

	MAJOR					Total Governmental Funds
	General Fund	Bus Depreciation	Retirement	Building Reserve	Other Governmental Funds	
<b>ASSETS:</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	250,724	350,937	107,688	18,573	336,180	1,064,103
Taxes Receivable	39,289	2,894	-	5	4,901	47,089
Due From Other Governments	26,485	1,541	2,567	-	54,309	84,902
<b>Total Assets</b>	<b>\$ 316,498</b>	<b>\$ 355,372</b>	<b>\$ 110,255</b>	<b>\$ 18,578</b>	<b>\$ 395,390</b>	<b>\$ 1,196,094</b>
<b>LIABILITIES:</b>						
<b>Current Liabilities</b>						
Due to Other Governments	-	-	34,788	-	-	34,788
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>34,788</b>	<b>-</b>	<b>-</b>	<b>34,788</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Property Taxes Receivable	39,289	2,894	-	5	4,901	47,089
<b>Total Deferred Inflows of resources</b>	<b>39,289</b>	<b>2,894</b>	<b>-</b>	<b>5</b>	<b>4,901</b>	<b>47,089</b>
<b>FUND BALANCE:</b>						
<b>Fund Balances:</b>						
Restricted	-	352,478	75,467	18,573	390,489	837,007
Assigned	1,098	-	-	-	-	1,098
Unassigned:	276,111	-	-	-	-	276,111
<b>Total Fund Balance</b>	<b>277,209</b>	<b>352,478</b>	<b>75,467</b>	<b>18,573</b>	<b>390,489</b>	<b>1,114,216</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 316,498</b>	<b>\$ 355,372</b>	<b>\$ 110,255</b>	<b>\$ 18,578</b>	<b>\$ 395,390</b>	<b>\$ 1,196,094</b>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 1,114,216
Governmental Capital Assets	776,894
Long-term Liabilities	
Long-Term Obligations	(2,250)
Compensated Absences	(27,893)
Unavailable Property Taxes Receivable	47,089
<b>Net Position of Governmental Activities</b>	<b>\$ 1,908,057</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
as of June 30, 2014

	MAJOR				Other Governmental Funds	Total Governmental Funds
	General Fund	Bus Depreciation	Retirement	Building Reserve		
<b>REVENUES:</b>						
District Levies	\$ 668,708	\$ 38,957	\$ -	\$ -	\$ 94,215	\$ 801,880
Interest	998	855	230	61	1,219	3,362
Charges for Services	-	-	-	-	30,168	30,168
Other	1,431	-	-	-	20,751	22,182
County	-	-	204,730	-	32,015	236,745
State	933,010	-	-	4,776	53,714	991,500
Federal	-	-	-	-	265,286	265,286
<b>Total Revenues</b>	<b>1,604,146</b>	<b>39,812</b>	<b>204,960</b>	<b>4,837</b>	<b>497,369</b>	<b>2,351,124</b>
<b>EXPENDITURES:</b>						
<b>Current</b>						
Instructional Services	970,627	-	145,120	-	195,722	1,311,468
Support Services	40,229	-	4,774	-	-	45,003
Educational Media Services	20,583	-	2,429	-	-	23,012
General Administrative Services	229,528	-	29,107	-	35,319	293,955
Operation & Maintenance Services	254,089	-	9,673	10,379	22,389	296,530
Transportation Services	16,512	-	5,053	-	86,293	107,858
School Food Services	18,342	-	4,557	-	115,227	138,126
Extracurricular	62,181	-	6,746	-	-	68,927
<b>Total Current Outlays</b>	<b>1,612,092</b>	<b>-</b>	<b>207,459</b>	<b>10,379</b>	<b>454,949</b>	<b>2,284,879</b>
Capital Outlay	-	-	-	-	14,704	14,704
<b>Total Expenditures</b>	<b>1,612,092</b>	<b>-</b>	<b>207,459</b>	<b>10,379</b>	<b>469,653</b>	<b>2,299,583</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(7,946)</b>	<b>39,812</b>	<b>(2,498)</b>	<b>(5,542)</b>	<b>27,716</b>	<b>51,541</b>
<b>FUND BALANCE:</b>						
Beginning of the Year	247,354	312,666	77,965	24,115	400,575	1,062,675
Prior Period Adjustment	37,801	-	-	-	(37,801)	-
<b>End of the Year</b>	<b>\$ 277,209</b>	<b>\$ 352,478</b>	<b>\$ 75,467</b>	<b>\$ 18,573</b>	<b>\$ 390,489</b>	<b>\$ 1,114,216</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Dutton/Brady School District No. 28C  
Teton County  
Dutton, Montana 59433

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
as of June 30, 2014

Net Changes in Fund Balance	\$	51,541
Revenues on the Statement of Activity not included in governmental funds statement:		
Increase (decrease) in taxes receivable		19,431
Expenses on the Statement of Activity not included in the governmental funds statement:		
Depreciation Expense	(75,309)	
(Increase) decrease in Other Post Employment Benefits	(2,250)	
(Increase) decrease in compensated absence liability	<u>2,991</u>	(74,568)
Expenditures reported in the governmental funds statement not included in the Statement of Activity		
Capital outlays		<u>14,704</u>
Change in net position reported on the Statement of Activity	\$	<u>11,109</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Dutton/Brady School District No. 28C  
Teton County  
Dutton, Montana 59433

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
as of June 30, 2014

	Private Purpose	
	Trust Funds	Agency Funds
<b>ASSETS:</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 74,185	\$ 128,852
<b>Total Assets</b>	<u>74,185</u>	<u>128,852</u>
<b>LIABILITIES:</b>		
<b>Current Liabilities</b>		
Warrants Payable	-	123,994
Due to Others	-	4,858
<b>Total Liabilities</b>	<u>-</u>	<u>128,852</u>
<b>NET POSITION:</b>		
Restricted for Endowment	26,500	
Restricted for Student Activities	47,684	
<b>Total Net Position</b>	<u>\$ 74,185</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET  
FIDUCIARY FUNDS  
as of June 30, 2014

	Private Purpose Trust Funds
<b>ADDITIONS:</b>	
Revenues from Student Activities	\$ 94,087
Contributions to Endowment	5,800
<b>Total Additions</b>	<u>99,887</u>
<b>DEDUCTIONS:</b>	
Expenses of Student Activities	87,300
Student Scholarships	6,825
<b>Total Deductions</b>	<u>94,125</u>
<b>CHANGE IN NET POSITION</b>	<u>5,762</u>
<b>NET POSITION:</b>	
Beginning of the Year	68,423
<b>End of the Year</b>	<u>\$ 74,185</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

DUTTON-BRADY SCHOOL DISTRICT NO. 28C

NOTES TO THE FINANCIAL STATEMENTS  
Fiscal Year-Ended June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of School District No. 28C have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014, the school district adopted following GASB statements:

- GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The amendment revised existing guidance for financial report of pension systems for state and local government. The statement is applicable for fiscal year 2014. This statement affects the applicable retirement plan administration at the State level and did not have any effect on the School District.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations. The statement is applicable for fiscal year 2014. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The School District is not merging with another School District or ceasing to exist. This statement has no effect on the financial statements.
- GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees. The statement is applicable for fiscal year 2014. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The School District has not extend any financial guarantees to other parties. This statement has no effect on the financial statements.

The following are a listing of GASB statements which have been issued and the School District assessment of effects to the financial statements.

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement revises and establishes new financial reporting requirement that provide employees with pension benefits. The statement is effective for fiscal year 2015. This statement will require the School District to expand its pension foot note disclosures. The School District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This statement amends paragraph 137 of statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The School District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.

School District No. 28C provides education for kindergarten through twelfth grade. The board of trustees is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations.

The criteria for including organizations as component units within the District's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the District's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the District. Based on those criteria this district has no component units.

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1 GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole except for the fiduciary funds. The fiduciary funds are reported as a private purpose trust fund in the fund financial statements.

The government-wide financial statements and fiduciary fund statements report using the economic resource measurement focus and the accrual basis of accounting generally including the elimination of internal activity between or within funds. 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 in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

DUTTON-BRADY SCHOOL DISTRICT NO. 28C

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. Expenses which are not directly related to a function, indirect expenses, are not charges to a function. Program revenues include:

- Charges for services such as school lunch fees and facility rental fees and
- Operating grants that are restricted to a particular functional program.

Property taxes, investment earnings, state equalization payments, and other revenue sources not properly included with program revenue are reported as general revenues.

1. b. 2 FUND ACCOUNTING

Fund financial statements provide information on the districts major governmental funds and a combined column for all other non-major funds. The student activity fund and endowment fund are displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the entity-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statement of these funds present net increases and decreases in current assets. Revenues are recorded when they are both measurable and available. Available means collectible within the current period anything collected after June 30 are generally not material. Unavailable income are recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred except for compensated absence payments which are recognized when due. Capital assets are functional expenditures in governmental funds.

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from the State of Montana are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received and the expenditure has not been incurred they are recorded as unearned grant revenues because the revenues are available.

GASB Statement No. 34 requires the general fund be reported as a major fund. Other individual governmental funds should be reported in separate columns as major funds based on these criteria:

- Total assets, liabilities, revenues, or expenditures of that individual governmental funds are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental funds)

In addition to funds that meet the major fund criteria, any other governmental fund that government officials believe is particularly important to financial statement users may be reported as a major fund.

The following funds are major funds of School District No. 28C:

- General Fund – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. On the GASB 34 financial statements the general fund also includes the activities of the flexibility fund since the restrictions on those funds are similar to the general fund.
- Bus Depreciation Fund – This fund is used to account for financing the replacement of yellow school buses and two-way radio equipment owned by a school. Deposits made to the fund are limited by depreciation percentages of current busses and two-way radio equipment owned by the district.
- Retirement Fund – This fund is used to account for financing the employer's contribution to the Teachers' Retirement System (TRS), the Public Employees' Retirement System (PERS), Unemployment Compensation, Social Security and Medicare benefits for district employees. County wide levies to this fund are to be based upon projected salaries for the fiscal year.
- Building Reserve Fund – This fund is used to account for financing voter approved building or construction projects funded with district mill levies. This includes raising money for the future construction, equipping, or enlarging of school buildings and for the purpose of purchasing land needed for school purposes in the district.

DUTTON-BRADY SCHOOL DISTRICT NO. 28C

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

1. b. 3 OTHER FUND TYPES

Trust Funds – The Trust Fund accounts for the receipt and disbursement of monies from student activity organizations, as well as any donated scholarship funds. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Trustees. This accounting reflects the District's trust relationship with the student activity organizations and any scholarship commitments.

Agency Funds – The Agency Funds generally are used to account for assets that the School District holds on behalf of others as their agent in the payroll and claims clearing funds. Cash is held for warrants which were written but have not been paid by the County Treasurer.

1. c. ASSETS, LIABILITIES AND NET POSITION (FUND BALANCE)

1. c. 1 CASH AND INVESTMENTS

Cash includes amounts in demand deposits, as well as short-term investments as authorized by State statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in United States government treasury bills, notes, bonds; certain United States treasury obligations; United States government security money market fund if investments consist of those listed above; time or savings deposits with a bank, savings and loan association, or credit union which is FDIC, FSLIC, or NCUA insured and are located in the state; or in repurchase agreements as authorized by MCA, or Montana Board of Investments Short Term Investment Pool (STIP). Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.

Information regarding the collateral and security for cash is not available to the District. However, State statute requires that United State government securities or agencies be held as collateral to secure deposits of public funds in excess of Federal Deposit Insurance Corporation (FDIC) insurance. The external investment pool is audited as part of Teton County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC).

1. c. 2 TAXES

Property taxes are collected by the County Treasurer who credits to the School District funds their respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The School District receives its share of the sale proceeds of any such auction.

1. c. 3 INVENTORIES

Materials, supplies and food inventory at year end was not material so all inventory was included as expenditures at the time of purchase.

1. c. 4 CAPITAL ASSETS

The District's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established at the initial booking of the capital assets by determining actual costs or estimating using standard costing procedures. The District considers capital assets to be items in excess of \$5,000 with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Depreciation on capital assets is provided over their estimated useful lives on the straight-line method. The useful lives of these assets have been estimated as follows:

Buildings	20 – 75 years
Improvements other than buildings	20 years
Machinery and Equipment	5 – 20 years

1.c. 5 VACATION AND SICK LEAVE

School District employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. School District employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave at the current rate of pay. School District employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. However, upon termination, only 25% of accumulated sick leave is paid. Certified staff receive 10 days of sick leave per year. Unused sick leave has a maximum accumulation of 80 days. Certified staff receive \$30 per day at termination for the amount over 80 days.

DUTTON-BRADY SCHOOL DISTRICT NO. 28C

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$4,525 and it is generally paid out of the general fund. The accrued liability for sick and vacation leave at June 30, 2014 was \$27,893.

1.c. 6 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

- Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- Restricted – The component of net position that is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – The difference between the assets and liabilities that is not reported in the other element of net position.

Governmental fund financial statements include the following fund balances:

- Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Assigned – the executing a purchase order for a specific purpose such as an encumbrance.
- Unassigned - Amounts that are available for any purpose; these amounts are reported only in the general fund.

As of June 30, 2014, fund balance components other than unassigned fund balance consist of the following:

<u>Purpose</u>	<u>Restricted</u>	<u>Assigned</u>
Instructional - Regular	\$ 40,114	\$ 1,098
Operations and Maintenance	10,154	0
Student Transportation	83,059	0
School Food	549	0
Third Party Grantor Restrictions	89,918	0
Employer Retirement Benefits	82,859	0
Future Technology	19,671	0
Future Capital Costs	<u>510,683</u>	<u>0</u>
Total	<u>\$ 837,007</u>	<u>\$ 1,098</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of assigned and then unassigned funds as needed, unless the board of trustees has provided otherwise.

1. d. OTHER

1. d. 1 USE OF ESTIMATES

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2014, the summary of cash, cash equivalents for governmental and fiduciary funds is as follows:

<u>Account Type</u>	<u>Governmental</u> <u>Activities</u>	<u>Fiduciary</u> <u>Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,064,103	\$ 203,037	\$ 1,267,140

The carrying amount of cash on hand, deposits and investments at June 30, 2014, is as follows:

DUTTON-BRADY SCHOOL DISTRICT NO. 28C

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

The carrying amount of cash on hand, deposits and investments at June 30, 2014, is as follows:

	<u>Amount</u>
Cash on Hand	\$ 800
Demand Accounts	27,685
Time Deposits	34,192
County Investment Pool	<u>1,204,463</u>
Total	<u>\$ 1,267,140</u>

Cash resources of the District are held and managed by the Teton County treasurer. They are combined with cash resources of other governmental entities within Teton County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of certificates of deposit and are carried at fair value. The cash of the extracurricular and endowment funds are held separately by the school district, not at the county, and is covered by FDIC.

NOTE 3. TAXES RECEIVABLE

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$5,942,963. The tax rates assessed for the year ended June 30, 2014 to finance District operations and applicable taxes receivable for the district follows:

<u>Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
General*	114.48	\$ 39,289
Transportation	15.51	4,683
Bus Depreciation*	6.66	2,894
Tuition	.41	96
Adult Education	.31	122
Building Reserve*	<u>0</u>	<u>5</u>
Total	<u>137.37</u>	<u>\$ 47,089</u>

\* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

<u>Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
General*	\$ 26,485	Pondera County	June tax payments
Transportation	7,564	Pondera County	June tax payments
Bus Depreciation*	1,541	Pondera County	June tax payments
School Food Services	228	State of MT	Matching payment
Tuition	95	Pondera County	June tax payments
Retirement*	2,567	Pondera County	June tax payments
Miscellaneous	14,489	State of MT	Title IV Part B
Miscellaneous	13,437	State of MT	Title I Part A
Miscellaneous	7,156	State of MT	Title III
Miscellaneous	6,855	State of MT	Title II Part A
Miscellaneous	2,200	State of MT	JMG
Miscellaneous	1,241	State of MT	MOST
Adult Education	72	Pondera County	June tax payments
Traffic Education	<u>972</u>	State of MT	Per pupil reimbursement
Total	<u>\$ 84,902</u>		

\* Denotes Major Funds

NOTE 5. EMPLOYEE RETIREMENT SYSTEM

The School District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all School District employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including administrators and aides. The Public Employee Retirement System (PERS) covers nonteaching employees. The plans are established under State law and are administered by the State of Montana.

DUTTON-BRADY SCHOOL DISTRICT NO. 28C

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

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

Teachers Retirement System P.O. Box 200139 1500 Sixth Avenue Helena, MT 59620-0139 Phone: 406-444-3134 www.tr.s.doa.state.mt.us	Public Employees Retirement System P.O. Box 200131 1712 Ninth Avenue Helena, MT 59620-0131 Phone: 406-444-3154 www.state.mt.us/doa/perb/prb.htm
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The PERS defined benefit contribution rates for employees was 7.9%. The PERS rate for the State was set at .37%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 7.8%. The TRS rates for employees was 8.15% and the State was set at 2.49%. The TRS rate for employers was 8.47%. The State's contribution to the retirement system qualifies as an on-behalf payment and has not been reported in the School District's financial statements.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 160,137	\$ 145,393	\$ 189,159
PERS	<u>26,866</u>	<u>25,675</u>	<u>31,000</u>
Total	<u>\$ 187,003</u>	<u>\$ 171,068</u>	<u>\$ 220,159</u>

NOTE 6. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

6. a. At June 30, 2014, the schedule of changes in general capital assets follows:

<u>Governmental Activities:</u>	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
<u>Depreciable:</u>				
Land Improvements	\$ 21,527	\$ 0	\$ 0	\$ 21,527
Buildings	1,408,395	14,704	0	1,423,099
Major Equipment	<u>779,206</u>	<u>0</u>	<u>0</u>	<u>779,206</u>
Total Depreciable	<u>\$ 2,209,128</u>	<u>\$ 14,704</u>	<u>\$ 0</u>	<u>\$ 2,223,832</u>
<u>Accumulated Depreciation:</u>				
Land Improvements	\$ (14,036)	\$ (1,077)	\$ 0	\$ (15,113)
Buildings	(771,255)	(29,565)	0	(800,820)
Major Equipment	<u>(586,338)</u>	<u>(44,667)</u>	<u>0</u>	<u>(631,005)</u>
Total Depreciation	<u>\$ (1,371,629)</u>	<u>\$ (75,309)</u>	<u>\$ 0</u>	<u>\$ (1,446,938)</u>
Net Governmental Capital Assets	<u>\$ 837,499</u>	<u>\$ (60,605)</u>	<u>\$ 0</u>	<u>\$ 776,894</u>

6. b. General capital asset depreciation expense was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Instructional	\$ 3,317
School Administration	825
Operation & Maintenance	5,695
Transportation	27,226
School Food	1,881
Extracurricular	12,301
Unallocated	<u>24,064</u>
Total Depreciation Expense	<u>\$ 75,309</u>

DUTTON-BRADY SCHOOL DISTRICT NO. 28C

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

NOTE 7. RISK MANAGEMENT

The School District is exposed to various types of risk 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. Several methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, professional liabilities, and employee medical insurance. The district has joined with other districts throughout the state into an interlocal common risk pool to insure workers compensation for all participating districts in a self-insurance pool. The Workers Compensation Risk Retention Program is managed by a board of directors elected annually. Members are responsible for fully funding the Workers Compensation Risk Retention Program through the payment of annual premiums accessed. There is no other liability to the district other than timely payments of premiums. The district can withdraw from the Workers Compensation Risk Retention Program with 60 days' notice at any time. The District has no coverage for potential losses from environmental damages.

Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

NOTE 8. CURRENT LIABILITIES

8. a. DUE TO OTHER GOVERNMENTS

<u>Fund</u>	<u>Amount</u>	<u>Due To</u>	<u>Reason</u>
Retirement*	\$ 34,788	Pondera County	County over payment
* Denotes Major Funds			

NOTE 9. CHANGES IN LONG-TERM DEBT

9. a. At June 30, 2014, the schedule of changes in general Long-Term debt follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2013</u>	<u>New Debt and Other Additions</u>	<u>Principal Payments and Other Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due within One Year</u>
<u>Other Liabilities:</u>					
Compensated Absences	\$ 30,884	\$ 0	\$ 2,992	\$ 27,893	\$ 4,525
Other Post-Employment Benefits (OPEB)	0	2,250	0	2,250	0
Total Other Liabilities	<u>\$ 30,884</u>	<u>\$ 2,250</u>	<u>\$ 2,992</u>	<u>\$ 30,143</u>	<u>\$ 4,525</u>
Total Governmental Activities Long-Term Debt:	<u>\$ 30,884</u>	<u>\$ 2,250</u>	<u>\$ 2,992</u>	<u>\$ 30,143</u>	<u>\$ 4,525</u>

NOTE 10. DEFERRED INFLOWS OF RESOURCES

10. a. PROPERTY TAXES

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 39,289	Taxes Receivable
Transportation	4,683	Taxes Receivable
Bus Depreciation*	2,894	Taxes Receivable
Tuition	96	Taxes Receivable
Adult Education	122	Taxes Receivable
Building Reserve*	5	Taxes Receivable
Total	<u>\$ 47,089</u>	

\* Denotes Major Funds

DUTTON-BRADY SCHOOL DISTRICT NO. 28C

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

**NOTE 11. OTHER POST EMPLOYMENT BENEFITS**

Plan Description - The District provides the same health care plan to all of its members. The District subsidy is \$8,400 per member. The District had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 40% of plan participants would elect to continue coverage after retirement.

Funding Policy - The government pays OPEB liabilities on a pay as you go basis. The trust fund for future liabilities has not been established.

Funding status and progress as of June 30, 2014 was as follows:

Actuarial Accrued Liability (AAL)	\$ 31,564
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>31,564</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 1,256,935
UAAL as a percentage of covered payroll	2.5%

Annual OPEB Cost and Net OPEB Obligations - The government's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the government's net OPEB obligation for the valuation performed at July 1, 2013.

Annual Required Contribution (ARC)	\$ 2,250
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	2,250
Contribution made	<u>0</u>
Increase in net OPEB obligation	2,250
Net OPEB obligation - beginning of year	<u>0</u>
Net OPEB obligation - end of year	<u>\$ 2,250</u>

Actuarial Methods and Assumptions - The following actuarial methods and assumptions were used:

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	67
Discount rate (average anticipated rate)	4.0%
Average Salary Increase	2.0%
Health care cost rate trend	
Year	% Increase
2015 and after	3.0%

**NOTE 12. OTHER COMMITMENTS**

**12. a. 1 ENCUMBRANCES**

The District's encumbrance policy is for fiscal year end encumbrances exceeding \$1,000 to be considered significant encumbrances. All encumbrances are classified as committed in the funds noted below:

<u>Fund</u>	<u>Amount</u>
General*	\$ 1,098

\* Denotes Major Funds

DUTTON-BRADY SCHOOL DISTRICT NO. 28C

NOTES TO THE FINANCIAL STATEMENTS (continued)  
Fiscal Year-Ended June 30, 2014

NOTE 13. COOPERATIVE

13. a. SPECIAL EDUCATION

The Dutton-Brady School District No. 28C is a member of the Big Sky Special Needs Cooperative, a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of Dutton-Brady School District No. 28C, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the District. All revenue received, including Federal, State, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Pondera County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the State and Federal portion of any participating member District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

A Joint Board of Directors governs the Cooperative. The Joint Board has the power to set policies, enter into contracts, review the performance of the Cooperative annually, review the financial management of the Cooperative annually, and set and approve the annual fiscal budget of the Cooperative.

NOTE 14. PRIOR PERIOD ADJUSTMENTS

<u>Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ 37,801	To include the Flexibility fund in the general fund due to similar spending limitations.
Flexibility	<u>(37,801)</u>	As noted above.
Total	<u><u>0</u></u>	

DUTTON-BRADY SCHOOL DISTRICT NO. 28C

SCHEDULE OF FUNDING PROGRESS  
Other Post-Employment Benefits Other Than Pensions (OPEB)  
Fiscal Year-Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
<u>July 1, 2013</u>	<u>0</u>	<u>31,564</u>	<u>31,564</u>	<u>0%</u>	<u>1,256,935</u>	<u>2.5%</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
(Budget and Actual)  
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
as of June 30, 2014

	General Fund			Bus Depreciation		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
District Levies	\$ 680,331	\$ 680,331	\$ 668,708	\$ 39,606	\$ 39,606	\$ 38,957
Interest	2,256	2,256	893	-	-	855
Other	-	-	-	-	-	-
County	-	-	-	-	-	-
State	921,429	921,429	921,429	-	-	-
<b>Total Revenues</b>	<b>1,604,016</b>	<b>1,604,016</b>	<b>1,591,030</b>	<b>39,606</b>	<b>39,606</b>	<b>39,812</b>
<b>EXPENDITURES:</b>						
<b>Current</b>						
Instructional Services			963,377			-
Support Services			40,229			-
Educational Media Services			19,757			-
General Administrative Services			229,528			-
Operation & Maintenance Services			254,089			-
Transportation Services			16,512			-
School Food Services			18,342			-
Extracurricular			62,181			-
Total Current Outlays			1,604,016			-
Capital Outlay			-	352,272	352,272	-
<b>Total Expenditures</b>	<b>1,604,016</b>	<b>1,604,016</b>	<b>1,604,016</b>	<b>352,272</b>	<b>352,272</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>(12,986)</b>	<b>(312,666)</b>	<b>(312,666)</b>	<b>39,812</b>
<b>FUND BALANCE:</b>						
Beginning of the Year			243,757			312,666
End of the Year			\$ 230,771			\$ 352,478

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
(Budget and Actual)  
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
as of June 30, 2014

	Retirement			Flexibility Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
District Levies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	200	200	230	-	-	104
Other	-	-	-	-	-	1,431
County	203,553	203,553	204,730	-	-	-
State	-	-	-	3,000	3,000	11,581
<b>Total Revenues</b>	<b>203,753</b>	<b>203,753</b>	<b>204,960</b>	<b>3,000</b>	<b>3,000</b>	<b>13,116</b>
<b>EXPENDITURES:</b>						
<b>Current</b>						
Instructional Services	172,426	172,426	145,120	-	-	4,750
Support Services	4,774	4,774	4,774	-	-	-
Educational Media Services	2,429	2,429	2,429	-	-	826
General Administrative Services	29,107	29,107	29,107	-	-	-
Operation & Maintenance Services	9,673	9,673	9,673	-	-	-
Transportation Services	5,053	5,053	5,053	-	-	-
School Food Services	4,557	4,557	4,557	-	-	-
Extracurricular	6,746	6,746	6,746	-	-	-
Total Current Outlays	234,765	234,765	207,459	-	-	5,576
Capital Outlay	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>234,765</b>	<b>234,765</b>	<b>207,459</b>	<b>40,801</b>	<b>40,801</b>	<b>5,576</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(31,012)</b>	<b>(31,012)</b>	<b>(2,498)</b>	<b>(37,801)</b>	<b>(37,801)</b>	<b>7,540</b>
<b>FUND BALANCE:</b>						
Beginning of the Year			77,965			37,801
End of the Year			<u>\$ 75,467</u>			<u>\$ 45,341</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

DUTTON-BRADY SCHOOL DISTRICT NO. 28C

NOTES TO THE BUDGET VS ACTUAL SCHEDULE  
Fiscal Year-Ended June 30, 2014

NOTE 1. BUDGETS

1. a. BUDGETS

Budgets are adopted on a basis consistent with the State of Montana budget laws which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for the general fund, budgeted special revenue funds including (Transportation, Bus Depreciation, Tuition, Retirement, Adult Education, Technology, Flexibility), and budgeted capital project funds (Building Reserve). All annual appropriations lapse at fiscal year-end, unless the School District elects to encumber supplies and personal property ordered but not received at year end.

1. a. 1 General Budget Policies:

The School District's funds are either budgeted or non-budgeted in accordance with State statutes. Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. All other funds are non-budgeted, meaning a legal budget is not required in order to spend the cash balance of such a fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major general and special revenue fund budgeted funds. The major funds building reserve are not included in the schedule because it is not a special revenue funds.

1. a. 2 Budget Operation:

The School District operates within the budget requirements for School Districts as specified by State law. The financial report reflects the following budgetary standards:

- By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property in the School District's borders.
- Before the fourth Monday in July, the County Superintendent estimates the revenue required for each fund.
- Before the fourth Monday in August, the Board of Trustees must meet to legally adopt the final budget. The final budget for the general fund is fund total only.
- Once adopted, the budget can be amended by subsequent Board action. An increase of the total budget of a given fund requires the adoption of an amended budget in accordance with State statutes.
- According to State statutes, the expenditures of a budgeted fund may not legally exceed the adopted budget.
- At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the School District.

NOTE 2. FUND BALANCE RECONCILIATION

The fund balances of the general fund displayed on the Statement of Revenue, Expenditures, and Changes in Fund Balances is differently displayed on the Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) by \$1,098. This is due to the reserve for encumbrances. Encumbrances are not included as expenditures on the first statement as they do not meet the GAAP definition of expenditures. The District reports encumbrances at year end as budgeted expenditures and displays these amounts as assigned or reserve of fund balances, as applicable.

DUTTON-BRADY SCHOOL DISTRICT NO. 28C

NOTES TO THE BUDGET VS ACTUAL SCHEDULE (continued)  
Fiscal Year-Ended June 30, 2014

NOTE 3. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL SUB-FUNDS OF THE GENERAL FUND

	<u>Sub-fund General Fund</u>	<u>Sub-fund Flexibility Fund</u>	<u>Total General Fund</u>
<b>REVENUES:</b>			
District Levies	\$ 668,708	\$ 0	\$ 668,708
Interest Earnings	894	104	998
Other	0	1,431	1,431
State Sources	<u>921,429</u>	<u>11,581</u>	<u>933,010</u>
Total Revenues	<u>\$ 1,591,030</u>	<u>\$ 13,116</u>	<u>\$ 1,604,146</u>
<b>EXPENDITURES:</b>			
Instructional Services	965,877	4,750	970,627
Support Services	40,229	0	40,229
Educational Media	19,757	826	20,583
General Administrative	229,528	0	229,528
Operation & Maintenance	254,089	0	254,089
Transportation	16,512	0	16,512
Extracurricular	62,181	0	62,181
School Food	<u>18,342</u>	<u>0</u>	<u>18,342</u>
Total Expenditures	<u>\$ 1,606,515</u>	<u>\$ 5,576</u>	<u>\$ 1,612,092</u>
Net Changes In Fund Balance	(15,485)	7,540	(7,946)
<b>FUND BALANCE:</b>			
Beginning of the Year	247,354	0	247,354
Prior Period Adjustment	<u>0</u>	<u>37,801</u>	<u>37,801</u>
Ending of the Year	<u>231,869</u>	<u>45,341</u>	<u>277,209</u>

In the reconciliation the general fund and flexibility fund are added together to get to the aggregate general fund shown as a major fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds. The flexibility fund is maintained as special revenue fund for accounting purposes, however, for external financial reporting it is added to the general fund because it has unassigned fund balance like the general fund.

On the Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds the general fund is shown because it is reported as a major fund and has a legally adopted budget. The flexibility fund is also shown because it is a special revenue fund which has a legally adopted budget.

DUTTON-BRADY SCHOOL DISTRICT NO. 28C

SCHEDULE OF REPORTED ENROLLMENT  
Fiscal Year-Ended June 30, 2014

FALL ENROLLMENT - OCTOBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	8	8	0
Grade 1 - 6	77	77	0
Grade 7 - 8	<u>27</u>	<u>27</u>	<u>0</u>
Total	<u>112</u>	<u>112</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>35</u>	<u>35</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

WINTER ENROLLMENT - DECEMBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	9	9	0
Grade 1 - 6	77	77	0
Grade 7 - 8	<u>27</u>	<u>27</u>	<u>0</u>
Total	<u>113</u>	<u>113</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>37</u>	<u>37</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

SPRING ENROLLMENT - FEBRUARY, 2014

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	9	9	0
Grade 1 - 6	77	77	0
Grade 7 - 8	<u>27</u>	<u>27</u>	<u>0</u>
Total	<u>113</u>	<u>113</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>36</u>	<u>36</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

DUTTON-BRADY SCHOOL DISTRICT NO. 28C

SCHEDULE OF REVENUES, EXPENSES AND BALANCES EXPENDABLE TRUST – STUDENT ACTIVITY FUNDS  
Fiscal Year-Ended June 30, 2014

<u>Activity Account Name</u>	<u>Beginning Balance 7/1/2013</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Transfers</u>	<u>Ending Balance 6/30/2014</u>
ANNUAL 2014	0	2,140	15	15	2,140
ANNUAL 2013	2,486	851	2,110	(1,227)	0
PAST ANNUAL	3,791	20	0	1,227	5,039
DBACK ATHLETIC	2,163	5,297	5,853	(957)	649
VOLLEYBALL	960	7,185	7,735	981	1,392
FOOTBALL	0	264	326	63	0
BASKETBALL	0	11,317	8,283	(3,034)	0
TRACK	0	258	3,307	3,049	0
CHEER/DRILL	585	3	0	0	589
STUDENT COUNCIL	1,780	5,523	5,017	(1,158)	1,127
CONCESSIONS	2,759	17,505	12,046	(4,120)	4,098
MUSIC	81	758	223	5	621
SCHOOL PLAYS	705	3,378	1,781	(1,200)	1,101
PEP CLUB	2,129	3,205	3,531	155	1,958
FCCLA	4,873	1,542	4,488	1,484	3,410
FFA	403	5,037	4,695	113	858
PAC COMMITTEE	2,507	13	822	0	1,698
HONOR SOCIETY	1,042	1,305	1,195	0	1,152
AMERICAN HERITAGE	25	18,133	8,469	274	9,963
STUDENT NEEDS/TRAVEL	439	347	105	(25)	656
REVOLVING	0	5,913	5,597	(315)	0
CLASS OF 2017	57	0	0	1,014	1,072
CLASS OF 2018	44	18	0	170	232
CLASS OF 2013	1,858	0	1,858	(0)	0
CLASS OF 2014	3,431	18	4,349	1,296	396
CLASS OF 2015	4,023	347	1,293	1,043	4,120
CLASS OF 2016	1,075	6	0	810	1,891
CLASS OF 2019	0	18	0	170	188
STW - BUSINESS	1,033	146	14	-	1,164
STW-SHOP	996	5	-	-	1,001
STUDENT ENRICHMENT	1,652	3,534	4,186	170	1,170
STW BOOK SALES	0	0	0	0	0
ACCRUED INTEREST	0	0	0	0	0
<b>Total</b>	<b><u>\$ 40,897</u></b>	<b><u>\$ 94,087</u></b>	<b><u>\$ 87,300</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 47,685</u></b>

STROM & ASSOCIATES, PC  
Certified Public Accountants  
P.O. Box 1980  
Billings, Montana 59103

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Dutton-Brady School District No. 28C  
Teton County  
Dutton, MT 59433

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 Dutton-Brady School District No. 28C as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Dutton-Brady School District No. 28C's basic financial statements and have issued our report thereon dated November 7, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Dutton-Brady School District No. 28C's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Dutton-Brady School District No. 28C's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Strom & Associates, P.C.*

STROM & ASSOCIATES, PC  
Billings, Montana  
November 7, 2014

STROM & ASSOCIATES, PC  
Certified Public Accountants  
P.O. Box 1980  
Billings, Montana 59103

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SCHEDULE OF FINDINGS AND RESPONSES

There were no findings or recommendations in the prior or current audit report.