SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

FINANCIAL AND COMPLIANCE REPORT
Year ended June 30, 2013
Year ended June 30, 2014

SCHOOL DISTRICT No. 35

Gallatin Gateway, Montana

FINANCIAL AND COMPLIANCE REPORT
Year ended June 30, 2013 and year ended June 30, 2014

TABLE OF CONTENTS

INDEPENDENT AUDITORS REPORT . . . . . 2 - 3

MANAGEMENT'S DISCUSSION AND ANALYSIS . . . . . i - v

BASIC FINANCIAL STATEMENTS
- 2014
  - Government-wide Financial Statements
    - Statement of Net Position 4
    - Statement of Activities 5
  - Fund Financial Statements
    - Balance Sheet - Governmental Funds 6
    - Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds 7
    - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities 8
    - Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position Private Purpose Trust Funds 9
- 2013
  - Government-wide Financial Statements
    - Statement of Net Position 10
    - Statement of Activities 11
  - Fund Financial Statements
    - Balance Sheet - Governmental Funds 12
    - Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds 13
    - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities 14
    - Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position Private Purpose Trust Funds 15

Notes to Financial Statements . . . . . 16 - 29

REQUIRED SUPPLEMENTARY INFORMATION
- Schedule of Revenues and Expenditures- Budget and Actual . . . . . 30 - 36
- Notes to Required Supplementary Information 37

TABLE OF CONTENTS - Continued

SUPPLEMENTARY INFORMATION
Schedule of School District Enrollment 38
Extracurricular Fund Schedule of Revenues, Expenditures,
and Changes in Net Position by Student Activity . . . . . 39 - 40

INDEPENDENT AUDITORS REPORTS
On Compliance and Internal Control Over Financial Reporting . . . . . 41 - 42
Schedule of Findings and Questioned Costs . . . . . 43 - 44

MANAGEMENT'S RESPONSE

ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

INDEPENDENT AUDITORS REPORT

Board of Trustees
School District No. 35
Gallatin Gateway, 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 School District No. 35, Gallatin Gateway, Montana, as of and for the year ended June 30, 2013 and year ended June 30, 2014, and the related notes to the financial statements which collectively comprise School District No. 35'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 of 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 government activities, each major fund, and the aggregate remaining fund information of School District No. 35, Gallatin Gateway, Montana, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter
Change in Accounting Principles
As described in Note 2 to the financial statements, the District adopted the provisions of GASB Statement 61, *The Financial Reporting Entity: Omnibus and Amendment of GASB Statements No 14 and No 34,* GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and* GASB Statement 65, *Items Previously Reported as Assets and Liabilities.* The opinion is not modified with the implementation of these GASB Statements.

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Other Matters

Required Supplementary Information

Accounting Principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages i-v and pages 29-36 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 response 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise School District No. 35's basic financial statements. The accompanying supplementary information the Supplemental Schedule of School District Enrollment (page 38) and the Extracurricular Fund Revenues, Expenditures and Changes in Net Position (pages 39-40) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Schedule of School District Enrollment and the Supplementary Extracurricular Fund Revenues, Expenditures and Changes in Net Position are required by the State of Montana and 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, 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 Supplementary Schedule of School District Enrollment and the Supplementary Extracurricular Fund Revenues, Expenditures and Changes in Net Position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior-Year Comparative Information

We have previously audited School District No. 35's June 30, 2012 financial statements, and we expressed an unmodified opinion on our report dated April 5, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 15, 2015 on our consideration of School District No. 35's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District No. 35's internal control over financial reporting and compliance.

May 15, 2015

Ross R. Stalcup
Certified Public Accountant

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GALLATIN GATEWAY SCHOOL
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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013
June 30, 2014

This section of the Gallatin Gateway School District's biennial financial report presents the management discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2013 and year 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 years, and is a required element of the reporting model established by the Governmental Accounting Standards Board (GASB) in Statement Number 34. This management and 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 Gallatin Gateway School are as follows:

- Total net position is $1,053,538.
- Total net position increased by 11%.

USING THESE FINANCIAL STATEMENTS

This biennial 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. 35 as a complex financial entity. The Statement of Net Position and the Statement of Activities (pages 4-5 and 10-11) 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).

Fund financial statements present a short-term view of the District's activities (they include 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 student activity trust fund for which the District acts as a trustee.

OVERVIEW OF THE FINANCIAL STATEMENTS

This biennial 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 fund statements that focus on various parts of the District's operations 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.

REPORTING THE DISTRICT AS A WHOLE FINANCIAL ENTITY

One important question asked about the District's finances is, "Is the District better or worse off as a result of each year's activities?" The information found in the District-wide financial statements 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. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or disbursed.

The change in net position (the difference between total assets & deferred outflow of resources and total liabilities & deferred inflow of resources) is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or diminished each year. In addition, nonfinancial factors such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, changes in the District's tax base, condition of school buildings and other facilities must be considered in making an assessment of the overall health of the District.

District's net position as follows:

	2014	2013	2012	Change	%
Current assets	$389,863	$491,541	$444,527	($54,664)	(12)%
Capital assets - net acc depreciation	1,523,559	1,512,365	1,511,387	12,172	1%
Total assets & Deferred Outflow	1,913,422	2,003,906	1,955,914	(42,492)	(2)%
Total liabilities & Deferred Inflow	859,884	933,557	1,009,956	(150,072)	(15)%
Net position	$1,053,538	$1,070,349	$945,958	$107,580	11%
Net position consists of:					
Net investment in Capital Assets	$793,559	$702,365	$616,387	$177,172	29%
Restricted net position	277,392	360,209	324,052	(46,660)	(14)%
Unrestricted net position	(17,413)	7,775	5,519	(22,932)	(416)%
Net position	$1,053,538	$1,070,349	$945,958	$107,580	11%

District's program revenues were as follows:

Program Revenues:	2014	2013	2012	Change	%
Operating Grants:					
Federal Grants					
Title I	42,717	90,886	34,756	7,961	23%
Title VI	0	33,263	0	0	
School Food programs	29,997	33,611	31,504	(1,507)	(5)%
IDEA Part B	8,522	10,210	13,162	(4,640)	(35)%
State Special Education	24,216	23,270	38,906	(14,690)	(38)%
State & County Transportation	19,604	20,518	22,102	(2,498)	(11)%
Other	16,726	1,171	50,910	(34,184)	(67)%
Total Capital & Operating Grants	141,782	212,929	191,340	(49,558)	(26)%
User Charges:					
School Food fees	40,186	40,144	36,203	3,983	
Tuition			1,497	(1,497)	
Operation & Maintenance	3,246			3,246	
Transportation		3,509	2,877	(2,877)	
Other User fees		3,295		0	
Total User Charges	43,432	46,948	40,577	2,855	7%
Total Program Revenues	185,214	259,877	231,917	(46,703)	(20)%

General Revenues:	2014	2013	2012	Change	%
District property taxes	635,369	650,866	638,981	(3,612)	(1)%
State equalization	448,279	450,903	452,565	(4,286)	(1)%
Guaranteed tax base	140,814	143,385	145,790	(4,976)	(3)%
Other state revenue	122,638	130,022	115,721	6,917	6%
County property taxes	159,882	119,954	150,430	9,452	6%
Interest	4,026	4,244	5,099	(1,073)	(21)%
Other	33,595	49,867	32,459	1,136	3%
Total General Revenue	1,544,603	1,549,241	1,541,045	3,558	0%
Total Revenue	$1,729,817	$1,809,118	$1,772,962	($43,145)	(2)%

District's expenses were as follows:

	2014	2013	2012	Change	%
Regular Instruction	$861,476	$798,693	$764,744	$96,732	13%
Special Education	72,492	78,391	77,621	(5,129)	(7)%
Adult Education	460	18,203	1,161	(701)	(60)%
Improvement of Instruction			51,495	(51,495)	
Vocational Education	13,893	19,001		13,893	
Educational Media	55,880	46,764		55,880	
Support Services- Students	57,829	38,923	73,780	(15,951)	(22)%
General Administration	84,964	88,542	56,375	28,589	51%
Building Administration	71,306	78,743	162,816	(91,510)	(56)%
Business Administration	96,924	91,073	90,337	6,587	7%
Operation and Maintenance	162,676	172,525	247,012	(84,336)	(34)%
Student Transportation	94,659	77,446	50,799	43,860	86%
School Food	75,903	77,695	93,391	(17,488)	(19)%
Extracurricular	16,416	16,128	13,908	2,508	18%
Interest	24,715	25,565	30,771	(6,056)	(20)%
Unallocated depreciation	57,035	57,035	57,035	0	0%
Total expenses	1,746,628	1,684,727	1,771,245	(24,617)	(1)%
Less Charges for Services	(43,432)	(46,948)	(40,577)	(2,855)	7%
Less Program Revenues	(141,782)	(212,929)	(191,340)	49,558	(26)%
Net expenses	$1,561,414	$1,424,850	$1,539,328	$22,086	1%

FUND FINANCIAL STATEMENTS

The District maintains individual government funds. These funds are considered major funds: General Fund, Transportation Fund, Retirement Fund, Miscellaneous Projects Fund and Debt Service Fund. In year ended June 30, 2014 the Bus Depreciation Fund was also considered a major fund. 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.

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.

THE FUTURE OF THE DISTRICT

Gallatin Gateway School District No. 35 has a strong future due to its location and its historical family involvement in the community school. Montana State University and higher education opportunities, technological business growth, outdoor recreation, and quality of schools all contribute to the increased student population in the Gallatin Gateway area located 12 miles from Bozeman, Montana.

Gallatin Gateway School's interest in the potential for student growth led to the creation of a long-range committee on school growth. The committee was charged with the task of compiling family demographics of the area and returning with a report on the future needs of the district. As a first step, the committee analyzed the facility needs of the school district in relationship to student enrollment. Currently the district facility, sewer system, kitchen capacity, and well water can accommodate approximately 200-250 students and staff. This allows for approximate growth of 50 students and staff before the school facilities will have met maximum growth. With anticipated increases in student population, we will have maximized our classroom space, sewer and water systems, and food service capacity.

Current considerations impacting school growth are regulations set by Gallatin County Commissioners on urban sprawl in Gallatin County and the downturn in the local economy. Commissioners currently are not encouraging growth outside Bozeman proper. This has slowed the increase in population to the Gallatin Gateway area. In addition, the growth expectations for our school district dropped temporarily when major businesses in the area scaled back employees to a bare minimum. Gallatin Gateway School District will watch growth trends closely to plan for and accommodate growth.

CONTACTING THE DISTRICT'S FINANCIAL 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. 35, P.O. Box 265, Gallatin Gateway, Montana 59730.

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

STATEMENT OF NET POSITION
June 30, 2014

	2014	2013
ASSETS		
Current Assets:		
Cash	$325,033	$435,581
Property Taxes Receivable	39,107	37,342
Protested Property Taxes Receivable	25,723	18,618
Due from Other Governments		
Total Current Assets	389,863	491,541
Capital Assets	2,195,261	2,127,032
Less Accumulated Depreciation	(671,702)	(614,667)
Capital Assets - Net	1,523,559	1,512,365
Total Assets	1,913,422	2,003,906
Deferred Outflow of Resources	0	0
Total Assets and Deferred Outflow of Resources	1,913,422	2,003,906
LIABILITIES:		
Current Liabilities		
Due to Other Entities		
Compensated Absences	43,295	41,186
Bonds Payable	80,000	80,000
Total Current Liabilities	123,295	121,186
Non Current Liabilities		
Compensated Absences	86,589	82,371
Bonds Payable	650,000	730,000
Total Non Current Liabilities	736,589	812,371
Total Liabilities	859,884	933,557
Deferred Inflow of Resources		0
Total Liabilities and Deferred Inflow of Resources	859,884	933,557
Total Net Position	1,053,538	1,070,349
NET POSITION		
Net Investment in Capital Assets	793,559	702,365
Restricted	277,394	360,209
Unrestricted	(17,415)	7,775
Total Net Position	$1,053,538	$1,070,349

See Notes to Financial Statements

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

STATEMENT OF ACTIVITIES
for the Year Ended June 30, 2014

	Expenses	Program Operating Grants	Revenue Charges for Services	Net (Expense) Revenue 2014	2013
GOVERNMENT OPERATIONS					
Instruction:					
Regular Instruction	$861,476	$67,565		($793,911)	($670,146)
Special Education	72,492	24,216		(48,276)	(44,911)
Adult Education	460			(460)	(18,203)
Vocational Education	13,893			(13,893)	(19,001)
Educational Media	55,880			(55,880)	(46,764)
Support Services - Students	57,829	400		(57,429)	(35,414)
Administration:					
General	84,964			(84,964)	(88,542)
Building	71,306			(71,306)	(78,743)
Business	96,924			(96,924)	(91,073)
Operation and Maintenance	162,676		3,246	(159,430)	(172,525)
Transportation	94,659	19,604		(75,055)	(56,928)
Food Services	75,903	29,997	40,186	(5,720)	(3,872)
Student Extracurricular	16,416			(16,416)	(16,128)
Interest	24,715			(24,715)	(25,565)
Unallocated Depreciation	57,035			(57,035)	(57,035)
Totals	$1,746,628	$141,782	$43,432	($1,561,414)	($1,424,850)
GENERAL REVENUES					
District Property Taxes				$635,369	$650,866
State Equalization				448,279	450,903
Guaranteed Tax Base				140,814	143,385
Other State Revenue				122,638	130,022
County Property Taxes				159,882	119,954
Interest				4,026	4,244
Other				33,595	49,867
Total General Revenues				$1,544,603	$1,549,241
CHANGE IN NET POSITION				(16,811)	124,391
NET POSITION					
Beginning of Year				1,070,349	945,958
End of the Year				$1,053,538	$1,070,349

See Notes to Financial Statements

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	MAJOR FUNDS				NON MAJOR FUNDS			
	General Fund	Transportation Fund	Bus Depreciation Fund	Retirement Fund	Misc Projects Fund	Debt Service Fund	Other Governmental Funds	Total
ASSETS:								
Cash	$74,495	$24,615	$62,268	$68,921	$73,053	$6,064	$15,617	$325,033
Property Taxes Receivable	22,552	4,416	1,472			6,199	4,468	39,107
Protested Taxes	14,878	3,021	1,031			4,017	2,776	25,723
Due from Other Governments								0
Total Assets	111,925	32,052	64,771	68,921	73,053	16,280	22,861	389,863
Deferred Outflows of Resources	0	0	0	0	0	0	0	0
Total Assets and Deferred Outflows of Resources	111,925	32,052	64,771	68,921	73,053	16,280	22,861	389,863
LIABILITIES:								
Other Current								0
Due to Other Governments								0
Total Liabilities	0	0	0	0	0	0	0	0
Deferred Inflows of Resources	37,430	7,437	2,503			10,216	7,244	64,830
Total Liabilities and Deferred Inflows of Resources	37,430	7,437	2,503	0	0	10,216	7,244	64,830
FUND BALANCE:								
Reserved								0
Restricted		24,615	62,268	68,921	73,053	6,064	15,073	249,994
Assigned							544	544
Unassigned	74,495							74,495
Total Fund Balance	74,495	24,615	62,268	68,921	73,053	6,064	15,617	325,033
Total Liabilities and Fund Balance	$111,925	$32,052	$64,771	$68,921	$73,053	$16,280	$22,861	$389,863

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance from above	$325,033
Net capital assets	1,523,559
Deferred inflow of resources	64,830
Less liabilities not reported above:	
Compensated absences	(129,884)
Bonds Payable	(730,000)
Net Position	$1,053,538

See Notes to Financial Statements

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
for the Year Ended June 30, 2014

	MAJOR FUNDS			NON MAJOR FUNDS				
	General Fund	Transportation Fund	Bus Depreciation Fund	Retirement Fund	Misc Projects Fund	Debt Service Fund	Other Governmental Funds	Total
REVENUES:								
District Levy	$373,922	$67,508	$23,586			$87,390	$74,095	$626,501
Direct State Aid	472,495							472,495
Guaranteed Tax Base	132,055					8,759		140,814
Other State Sources	110,930	14,852					8,945	134,727
County Sources		9,802			4,600			14,402
Federal Sources				159,882	61,239		29,834	250,955
User Fees		3,246					40,186	43,432
Interest	2,498	317	373	309			529	4,026
Other					33,595			33,595
Total Revenues	1,091,900	95,725	23,959	160,191	99,434	96,149	153,589	1,720,947
EXPENDITURES:								
Current Operations:								
Instruction:								
Regular Programs	598,201			129,350	104,519		23,079	855,149
Special Programs	53,050			10,920	8,522			72,492
VoEd	13,893							13,893
Adult Education				460				460
Educational Media	49,651			6,229				55,880
Support Services Students	47,743			6,825	3,261			57,829
Administration								
General	71,377			3,397			10,190	84,964
Building	62,717			7,161			1,428	71,306
Business	67,320	16,107		12,918			579	96,924
Operation and Maintenance	128,777	11,094		679			22,126	162,676
Transportation		88,216		6,443				94,659
Food Services				3,775			72,128	75,903
Student Extracurricular	8,958			908	6,550			16,416
Capital Outlay	1,843						66,386	68,229
Debt Service						104,715		104,715
Total Expenditures	1,103,530	115,417	0	189,065	122,852	104,715	195,916	1,831,495
OTHER FINANCING SOURCES (USES)								
Bond Issue (with premium)								0
Transfers								
In								0
Out								0
Total Transfers	0	0	0	0	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures And Other Financing	(11,630)	(19,692)	23,959	(28,874)	(23,418)	(8,566)	(42,327)	(110,548)
FUND BALANCE								
Beginning of the Year	86,125	44,307	38,309	97,795	96,471	14,630	57,944	435,581
End of the Year	$74,495	$24,615	$62,268	$68,921	$73,053	$6,064	$15,617	$325,033

See Notes to Financial Statements

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

for the Year Ended June 30, 2014

Change in Fund Balances	($110,548)
Change in Property Taxes Receivable not included in the Governmental Fund Statements	8,870
Amounts Reported as Expenditures in the Governmental Fund Statements	
Capital Outlay	68,229
Change in Compensated Absences	(6,327)
Expenses on the Statement of Activities not included in the Governmental Fund Statements	
Principal	80,000
Depreciation	(57,035)
Change in Net Position	($16,811)

See Notes to Financial Statements

STATEMENT OF FIDUCIARY NET POSITION
AND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
for the Year Ended June 30, 2014

FIDUCIARY NET POSITION

	Extracurricular
ASSETS	
Cash	$25,112
NET POSITION	
Held in Trust	25,112
CHANGES IN FIDUCIARY NET POSITION	
Revenue & Transfers	53,474
Expenditures & Transfers	(53,912)
NET POSITION	
BEGINNING	25,550
ENDING	$25,112

See Notes to Financial Statements

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

STATEMENT OF NET POSITION
June 30, 2013

	2013	2012
ASSETS		
Current Assets:		
Cash	$435,581	$370,072
Property Taxes Receivable	37,342	61,767
Protested Taxes Receivable	18,618	12,688
Due from Other Governments		
Total Current Assets	491,541	444,527
Capital Assets	2,127,032	2,142,726
Less Accumulated Depreciation	(614,667)	(631,339)
Capital Assets - Net	1,512,365	1,511,387
Total Assets	2,003,906	1,955,914
Deferred Outflow of Resources	0	0
Total Assets and Deferred Outflow of Resources	2,003,906	1,955,914
LIABILITIES:		
Current Liabilities		
Due to Other Entities		45
Compensated Absences	41,186	38,304
Bonds Payable	80,000	80,000
Total Current Liabilities	121,186	118,349
Non Current Liabilities		
Compensated Absences	82,371	76,607
Bonds Payable	730,000	815,000
Total Non Current Liabilities	812,371	891,607
Total Liabilities	933,557	1,009,956
Deferred Inflow of Resources	0	0
Total Liabilities and Deferred Inflow of Resources	933,557	1,009,956
Total Net Position	1,070,349	945,958
NET POSITION		
Net Investment in Capital Assets	702,365	616,387
Restricted	360,209	324,052
Unrestricted	7,775	5,519
Total Net Position	$1,070,349	$945,958

See Notes to Financial Statements

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

STATEMENT OF ACTIVITIES
for the Year Ended June 30, 2013

	Expenses	Program Revenue: Operating Grants	Program Revenue: Charges for Services	Net (Expense) Revenue 2013	2012
GOVERNMENT OPERATIONS					
Instruction:					
Regular Instruction	$798,693	$125,252	$3,295	($670,146)	($714,053)
Special Education	78,391	33,480		(44,911)	(38,715)
Adult Education	18,203			(18,203)	(1,161)
Vocational Education	19,001			(19,001)	
Educational Media	46,764			(46,764)	(51,495)
Support Services - Students	38,923			(38,923)	(73,780)
Administration:					
General	88,542			(88,542)	(56,375)
Building	78,743			(78,743)	(162,816)
Business	91,073			(91,073)	(90,337)
Operation and Maintenance	172,525			(172,525)	(197,378)
Transportation	77,446	20,518	3,509	(53,419)	(25,820)
Food Services	77,695	33,679	40,144	(3,872)	(25,684)
Student Extracurricular	16,128			(16,128)	(13,908)
Interest	25,565			(25,565)	(30,771)
Unallocated Depreciation	57,035			(57,035)	(57,035)
Totals	$1,684,727	$212,929	$46,948	($1,424,850)	($1,539,328)
GENERAL REVENUES					
District Property Taxes				$650,866	$638,981
State Equalization				450,903	452,565
Guaranteed Tax Base				143,385	145,790
Other State Revenue				130,022	115,721
County Property Taxes				119,954	150,430
Interest				4,244	5,099
Other				49,867	32,459
Total General Revenues				$1,549,241	$1,541,045
CHANGE IN NET POSITION				124,391	1,717
NET POSITION					
Beginning of Year				945,958	944,241
End of the Year				$1,070,349	$945,958

See Notes to Financial Statements

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	MAJOR FUNDS				NON MAJOR FUNDS		
	General Fund	Transportation Fund	Retirement Fund	Miscellaneous Fund	Debt Service Fund	Other Governmental Funds	Total
ASSETS:							
Cash	$86,125	$44,307	$97,795	$96,471	$14,630	$96,253	$435,581
Property Taxes Receivable	21,333	4,275			5,907	5,827	37,342
Protested Taxes	10,638	2,256			3,024	2,700	18,618
Due from Other Governments							0
Total Assets	118,096	50,838	97,795	96,471	23,561	104,780	491,541
Deferred Outflows of Resources	0	0	0	0	0	0	0
Total Assets and Deferred Outflows of Resources	118,096	50,838	97,795	96,471	23,561	104,780	491,541
LIABILITIES:							
Other Current							0
Due to Other Governments							0
Total Liabilities	0	0	0	0	0	0	0
Deferred Inflows of Resources	31,971	6,531			8,931	8,527	55,960
Total Liabilities and Deferred Inflows of Resources	31,971	6,531	0	0	8,931	8,527	55,960
FUND BALANCE:							
Reserved							0
Restricted		44,307	97,795	96,471	14,630	83,017	336,220
Assigned						13,236	13,236
Unassigned	86,125						86,125
Total Fund Balance	86,125	44,307	97,795	96,471	14,630	96,253	435,581
Total Liabilities and Fund Balance	$118,096	$50,838	$97,795	$96,471	$23,561	$104,780	$491,541

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance from above	$435,581
Net capital assets	1,512,365
Deferred inflow of resources	55,960
Less liabilities not reported above:	
Compensated absences	(123,557)
Bonds Payable	(810,000)
Net Position	$1,070,349

See Notes to Financial Statements

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
for the Year Ended June 30, 2013

	MAJOR FUNDS				NON MAJOR FUNDS		
	General Fund	Transportation Fund	Retirement Fund	Miscellaneous Fund	Debt Service Fund	Other Governmental Funds	Total
REVENUES:							
District Levy	$395,114	$73,909			$92,548	$107,790	$669,361
Direct State Aid	608,106				9,452		617,558
Other State Sources	115,206	16,058				9,577	140,841
County Sources		10,259	119,954	548			130,761
Federal Sources				134,359		33,611	167,970
User Fees		3,509		3,295		40,144	46,948
Interest	2,592	330	751			634	4,307
Other				49,867			49,867
Total Revenues	1,121,018	104,065	120,705	188,069	102,000	191,756	1,827,613
EXPENDITURES:							
Current Operations:							
Instruction:							
Regular Programs	604,383		68,347	108,092		9,225	790,047
Special Programs	57,411		10,770	10,210			78,391
Vo-Ed Programs	18,946		55				19,001
Adult Education			410			17,793	18,203
Educational Media	42,971		3,793	3,743			50,507
Support Services Students	31,289		3,891				35,180
Administration							
General	76,049		2,655			9,838	88,542
Building	70,165		8,578				78,743
Business	64,172	15,269	11,632				91,073
Operation and Maintenance	134,649	11,179	531	10,000		16,166	172,525
Transportation		72,275	5,171				77,446
Food Services			3,769	1,540		72,386	77,695
Student Extracurricular	8,307		781	7,040			16,128
Capital Outlay						58,013	58,013
Debt Service					110,565		110,565
Total Expenditures	1,108,342	98,723	120,383	140,625	110,565	183,421	1,762,059
OTHER FINANCING SOURCES (USES)							
Bond Issue (with premium)							0
Transfers							
In							0
Out							0
Total Transfers	0	0	0	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures And Other Financing	12,676	5,342	322	47,444	(8,565)	8,335	65,554
FUND BALANCE							
Beginning of the Year	73,449	38,965	97,473	49,027	23,195	87,918	370,027
End of the Year	$86,125	$44,307	$97,795	$96,471	$14,630	$96,253	$435,581

See Notes to Financial Statements

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

for the Year Ended June 30, 2013

Change in Fund Balance	$65,554
Change in Property Taxes Receivable not included in the Governmental Fund Statements	(18,495)
Amounts Reported as Expenditures in the Governmental Fund Statements	
Capital Outlay	58,013
Change in Compensated Absences	(8,646)
Expenses on the Statement of Activities not included in the Governmental Fund Statements	
Principal	85,000
Depreciation	(57,035)
Change in Net Position	$124,391

See Notes to Financial Statements

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

STATEMENT OF FIDUCIARY NET POSITION
AND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
for the Year Ended June 30, 2013

FIDUCIARY NET POSITION

	Extracurricular
ASSETS	
Cash	$25,550
NET POSITION	
Held in Trust	25,550
CHANGES IN FIDUCIARY NET POSITION	
Revenue & Transfers	35,598
Expenditures & Transfers	(41,698)
NET POSITION	
BEGINNING	31,650
ENDING	$25,550

See Notes to Financial Statements

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

NOTES TO FINANCIAL STATEMENTS
June 30, 2013
June 30, 2014

TABLE OF CONTENTS

	Note	Page
Summary of Significant Accounting Policies:		
Reporting Entity	1A	17
Basis of Presentation and Basis of Accounting	1B	17-18
Specific Accounting Policies:		
Cash and Investments	1C	19
Inventories	1D	19
Property Taxes	1E	19
Capital Assets	1F	19
Compensated Absences	1G	19
Fund Equity	1H	20
Use of Estimates	1I	20
Deferred Inflow/Outflow of Resources	1J	20
Cash and Investments	2	20
Implementation of New GASB Statements	3	21
Capital Assets	4	22
Retirement Plans	5	23
Long Term Debt	6	24
Fund Balance/ Net Position Disclosures	7	25-28
Risk Management	8	28
Other Post Employment Benefits	9	29
Contingencies	10	29

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. For enterprise funds GASB Statement Nos. 20 and 34 provide the District the option of electing to apply FASB pronouncements issued after November 30, 1989. The District has elected not to apply those pronouncements.

A. Reporting Entity

All operations of School District No. 35, Gallatin Gateway, Montana are controlled by a Board of Trustees, elected in School-wide elections, and responsible for all of the School's activities. The financial statements include all of the District's operations controlled by the Board of Trustees. Based on the criteria for determining the reporting entity (separate legal entity and fiscal or financial dependency on other governments), the District is considered to be an independent reporting entity and has no component units.

B. Basis of Presentation and Basis of Accounting

Government-wide Statements - The statement of net position and the statement of activities show information about the overall financial position and activities of the District with the exception of the student activity fund.

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

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

Fund Financial Statements - These statements provide information about the District's funds, including a separate statement for the District's fiduciary fund (the student activity fund). The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as other governmental funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Most current property taxes receivable are delinquent at June 30 and amounts collected soon after year-end are not significant. Deferred inflow of resources are recorded for these receivables. Property tax levies for the subsequent fiscal year are recorded as property tax receivables because they become a lien on real property as of January 1. Because these taxes are levied for the subsequent fiscal year, they are offset by deferred inflows.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences which are recognized as expenditures when paid. General capital asset acquisitions under capital leases are reported as other financial sources.

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

Generally accepted accounting principles require that the general fund be reported as a major fund and that all other governmental funds whose assets & deferred inflow of resources, liabilities & deferred outflow of resources, revenues, or expenditures exceed 10% or more of the total for all governmental funds also be reported as major funds.

Accordingly, the District reports the following major governmental funds:

2013 and 2014
General fund
This fund is the District's primary operating fund and it accounts for all financial resources of the District except those required to be accounted for in other funds.

Transportation fund
This fund is to account for financial activities of student transportation.

Retirement fund
This fund is used to account for the financial activities of retirement monies.

Miscellaneous fund
This fund accounts for the revenues and expenditures of various grants and other financial items.

Debt Service fund
This fund accounts for revenues and expenditures relating to payment of District bonds.

2014
Bus Depreciation fund
This fund is used to accumulate resources for bus replacement.

The District also has a student activity fund accounting for the extracurricular activities of its students. This fund is a private-purpose trust fund.

The general policy is to spend resources in the following order: Restricted, Committed, Assigned, Unassigned assuming that there are different classifications within a particular fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments

State law permits investment of District funds in insured savings or time deposits, bank repurchase agreements, direct obligations of the U.S. Government, and the State's unified investment program. Except for the private purpose trust fund, all cash and investments are held by the County Treasurer. Investments are stated at cost.

D. Inventories

Inventories are considered to be immaterial and are not recorded.

E. Property Taxes

Property taxes receivable at June 30 consist primarily of delinquent and protested property taxes from the current and prior year levies. Property taxes receivable are offset by deferred inflow of resources in the fund financial statements. Approximately 95% of protested taxes are collected. The District does not record an allowance for uncollectible taxes because it is considered to be immaterial.

Property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Real property taxes are usually billed in October and are payable 50% on November 30 and 50% on May 31. Property taxes are maintained and collected by the County Treasurer.

F. Capital Assets

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

Buildings and improvements . . . . 20-80 years

Equipment . . . . . 6- 20 years

G. Compensated Absences

Vacation leave, within certain limitations, may be payable to administrative and classified (non-teaching) employees on termination. Sick leave is accumulated for classified employees at the rate of 12 working days for each year of service. Part-time classified employees are entitled to prorated benefits upon fulfillment of the qualifying period of time. Classified employees are eligible for compensation at one fourth of the accumulated sick leave amount on termination.

Upon termination, certified employees (teachers) are paid pursuant to the master agreement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Equity

See Note 7.

I. Use of Estimates

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

Examples are depreciation, current portion of compensated absences.

J. Deferred Inflow/Outflow of Resources

A *deferred outflow* of resources is defined as a consumption of net position by the government that is applicable to a future reporting period and a *deferred inflow* of resources as an acquisition of net position by the government that is applicable to a future reporting period. A deferred outflow of resources has a positive effect on net position, similar to assets, and a deferred inflow of resources has a negative effect on net position, similar to liabilities.

2. CASH AND INVESTMENTS

District cash and investments are held by the County Treasurer and invested at the direction of the District. The District participates in the Gallatin County Investment Pool.

Student activity funds are deposited in FDIC insured, interest bearing, checking accounts.

The District does not have policies regarding credit risk, interest rate risk, or custodial credit risk, but relies on State law for allowable investments. Investment risk disclosures are described in the following paragraphs:

Credit Risk
Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The STIP securities have credit risk as measured by major credit rating services. This risk is that the issuer of a security may default in making timely principal and interest payments.

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality per GASB Statement No. 40.

Custodial Credit Risk
Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

3. IMPLEMENTATION OF NEW GASB STATEMENTS

Beginning in fiscal year 2013 the District implemented the following statements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement 61 "*The Financial Reporting Entity: Omnibus*" - which modifies certain requirements for inclusion of component units in the financial reporting entity. As a result of early implementing this statement, the District was not required to change the classification of its reporting entities.

GASB Statement 62 "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*" - this statement improves financial reporting by continuing to codify sources of generally accepted accounting principles for state and local governments so that they derive from a single source. As a result of implementing this statement, the District was not required to change the reporting of current or past transactions.

GASB Statement 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" - providing guidance for the reporting of deferred outflows, deferred inflows and identifies net position as the residual of all other elements presented in a statement of financial position. As a result of implementing this statement, the computation of equity of the Statement of Net Position was changed and equity was retitled as "net position".

GASB Statement 65 "*Items Previously Reported as Assets and Liabilities*" - clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure constistency in financial reporting. This statement requires certain items which were previously reported as assets and liabilities to be reported as deferred outflows of resources, deferred inflows of resources and as revenues or expenditures. As a result of early implementing this statement, the District changed the classification of certain liabilities to deferred inflows. There were no other effects on the financial statements of implementing this statement.

4. CAPITAL ASSETS

Capital asset activity during 2014 was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Cost of assets:				
Land	58,361			$58,361
Buildings and Improvements	1,825,106	$19,036		1,844,142
Equipment	243,565	49,193		292,758
Total	2,127,032	$68,229	$0	$2,195,261
Accumulated depreciation:				
Land Improvements				$0
Buildings and Improvements	(496,894)	(30,584)		($527,478)
Equipment	(117,773)	(26,451)		(144,224)
Total	(614,667)	(57,035)	0	(671,702)
Capital Assets, Net	1,512,365	$11,194	$0	$1,523,559

Capital asset activity during 2013 was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Cost of assets:				
Land	58,361			$58,361
Buildings and Improvements	1,825,106			1,825,106
Equipment	259,259	58,013	($73,707)	243,565
Total	2,142,726	$58,013	($73,707)	$2,127,032
Accumulated depreciation:				
Land Improvements				0
Buildings and Improvements	(466,310)	(30,584)		(496,894)
Equipment	(165,029)	(26,451)	73,707	(117,773)
Total	(631,339)	(57,035)	73,707	(614,667)
Capital Assets, Net	1,511,387	$978	$0	$1,512,365

Depreciation is not allocated.

5. RETIREMENT PLANS

The District participates in two statewide, mandatory, cost-sharing, multiple employer, defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Montana Teachers' Retirement System (MTRS) covers teaching employees, including principals and superintendents. The Montana Public Employees' Retirement System (MPERS) covers other non-teaching employees. The plans are established by State law and are administered by the State of Montana. The plans provide retirement, disability, and death benefits to plan member and beneficiaries.

Contribution rates for both plans are required and determined by State law. The state of Montana makes on behalf payments for the District. The contribution rates, expressed as a percentage of covered payroll, were as follows:

	Employer	Employee	State	Total
TRS	8.47%	8.15%	2.11%	18.73%
PERS	7.80%	7.90%	0.37%	16.07%

The State on behalf payment is considered immaterial and has not been included in the financial statements.

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

	2014	2013	2012
TRS	$120,666	$101,606	$98,777
PERS	15,906	16,538	16,137
Total	$136,572	$118,144	$114,914

Both plans issue a publicly available financial report that includes financial statements and required supplementary information for the plans. Those reports may be obtained from the following:

MT Teachers Retirement System
P.O. Box 200139
1500 Sixth Avenue
Helena, Montana 59620-0139
Telephone (406) 444-3134

MT Public Employees Retirement System
P.O. Box 200131
1712 Ninth Avenue
Helena, Montana 59620-0131
Telephone (406) 444-3154

6. LONG TERM DEBT

	June 30 2013	Payment	Additions	June 30 2014	Current
Compensated Absences	123,557		6,327	129,884	43,295
	123,557	0	6,327	129,884	43,295
General Obligation Bonds					
2011 Refunding Bonds	810,000	(80,000)		730,000	80,000
Total	933,557	(80,000)	6,327	859,884	123,295

	June 30 2012	Payment	Additions	June 30 2013	Current
Compensated Absences	114,911		8,646	123,557	41,186
	114,911	0	8,646	123,557	41,186
General Obligation Bonds					
2011 Refunding Bonds	895,000	(85,000)		810,000	80,000
	895,000	(85,000)	0	810,000	80,000
Total	1,009,911	(85,000)	8,646	933,557	121,186

The District has budgeted and paid the bonds as if they had a June 30 maturity date, although the actual maturity date is July 1.

Amortization 2011 Refunding Bonds, $975,000, variable interest rate, as follows:

	Interest	Principal
2014	24,415	80,000
2015	22,015	95,000
2016	19,165	100,000
2017	16,165	100,000
2018	13,715	100,000
2019	10,965	105,000
2020	7,710	110,000
2021	4,080	120,000
	$118,230	$810,000

7. FUND BALANCE/NET POSITION DISCLOSURES

Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* was issued to enhance the usefulness of Fund Balance information and clarify existing governmental fund type definitions. To that end GASB 54 established the following fund balance classifications in the fund statements:

Non-spendable
Includes fund balances that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. Example- inventories.

Restricted
Includes fund balances that are constrained for specific purposes which are externally imposed by providers such as creditors, or amounts constrained due to law, constitutional provisions or enabling legislation.

Committed
Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. An example is a resolution by the Board.

Assigned
Includes fund balance amounts that are intended to be used for a specific purpose that are neither considered restricted or committed. A designee can be authorized to assign fund balance. The District Clerk has been designated to assign fund balance.

Unassigned
Unassigned fund balance includes positive fund balance within the General Fund which has not been classified within the above mentioned classifications. Negative fund balances in other governmental will be reported as unassigned.

Additionally the statement addresses fund classification to the extent that the fund type is dependent on proceeds of specific revenue sources which are restricted or committed to expenditure in accordance with a specific purpose.

Gallatin Gateway School District has a general policy that fund balance is restricted for the statutory purpose of a fund, or in the case of the Miscellaneous Fund to the purpose of the individual grants; notwithstanding the provisions of MCA-20-9-2-8(B).

The general policy also applies to fund classification.

General policy addresses compliance with this standard and establishes that resources will be spent in the following order: Restricted, Committed, Assigned, Unassigned assuming that there are different classifications within a particular fund.

7. FUND BALANCE/NET POSITION DISCLOSURES (continued)

Fund Balance Classification is as follows:

Year ended June 30, 2014

	MAJOR FUNDS				NON-MAJOR			
	General Fund	Transportation Fund	Bus Depreciation Fund	Retirement Fund	Misc Fund	Debt Service Fund	Other Government Funds	Total
Restricted:								
Instruction					73,053		8,406	81,459
Transportation		24,615						24,615
Bus Replacement			62,268					62,268
Tuition							1,756	1,756
Retirement Benefits				68,921				68,921
Technology Acquisition							2,004	2,004
Adult Education							846	846
School Food Program							455	455
Debt Service						6,064		6,064
Capital Projects							1,606	1,606
Compensated Absence Liability								0
	0	24,615	62,268	68,921	73,053	6,064	15,073	249,994
Assigned:								
Instruction							544	544
Improvement of Instruction								0
	0	0	0	0	0	0	544	544
Unassigned:	74,495							74,495
	74,495	0	0	0	0	0	0	74,495
Total Fund Balance	74,495	24,615	62,268	68,921	73,053	6,064	15,617	325,033

In the government wide statements fund equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt. Composed of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any debt incurred that is attributable to the acquisition thereof.
Restricted. Further classified as expendable and non-expendable, generally the net position resulting from property taxes levied for a statutory purpose.
Unrestricted. All other assets.

Net Position Classifications:

Restricted	
Non expendable	$0
Expendable	277,394
Invested in Capital Assets	793,559
Unrestricted	(17,415)
	$1,053,538

A reconciliation of Fund Balance by classification to restricted net position by classification follows:

		Deferred Inflow of Resources	Bonds Payable	Capital Assets	Non-Capital Liabilities	Adjustments	Net Position
Fund Balances							
Restricted	249,994	27,400					277,394
Invest Capital Assets			(730,000)	1,523,559			793,559
Assigned	544					(544)	0
Unrestricted			(129,884)			112,469	(17,415)
Unassigned	74,495	37,430				(111,925)	0
Total	$325,033	$64,830	($859,884)	$1,523,559	$0	$0	$1,053,538

7. FUND BALANCE/NET POSITION DISCLOSURES (continued)

Year ended June 30, 2014

Financial Position

Purpose of Restriction	
Debt Service	$16,280
Instruction	73,053
Bus Replacement	64,771
Transportation	32,051
Retirement	68,921
Other	22,318
	$277,394

Fund Balance Classification is as follows:

Year ended June 30, 2013

	MAJOR FUNDS					NON-MAJOR	
	General Fund	Transportation Fund	Retirement Fund	Misc Fund	Debt Service Fund	Other Government Funds	Total
Restricted:							
Instruction				96,471			96,471
Transportation		44,307					44,307
Bus Replacement						38,309	38,309
Tuition						840	840
Retirement Benefits			97,795				97,795
Technology Acquisition						3,522	3,522
Adult Education						15,172	15,172
Operation and Maintenance						1,986	1,986
School Food Program						2,400	2,400
Debt Service					14,630		14,630
Capital Projects						20,788	20,788
Compensated Absence Liability							0
	0	44,307	97,795	96,471	14,630	83,017	336,220
Assigned:							
Instruction						13,236	13,236
Improvement of Instruction							0
	0	0	0	0	0	13,236	13,236
Unassigned:	86,125						86,125
	86,125	0	0	0	0	0	86,125
Total Fund Balance	86,125	44,307	97,795	96,471	14,630	96,253	435,581

In the government wide statements fund equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt. Composed of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any debt incurred that is attributable to the acquisition thereof.
Restricted. Further classified as expendable and non-expendable, generally the net position resulting from property taxes levied for a statutory purpose.
Unrestricted. All other assets.

Net Position Classifications:

Restricted	
Non expendable	$0
Expendable	360,209
Invested in Capital Assets	702,365
Unrestricted	7,775
	$1,070,349

7. FUND BALANCE/NET POSITION DISCLOSURES (continued)

A reconciliation of Fund Balance by classification to restricted net position by classification follows:

		Deferred Inflow of Resources	Debt	Capital Assets	Adjustments	Net Position
Fund Balances						
Restricted	336,220	23,989				360,209
Invest Capital Assets			(810,000)	1,512,365		702,365
Assigned	13,236				(13,236)	0
Unrestricted			(123,557)		131,332	7,775
Unassigned	86,125	31,971			(118,096)	0
Total	$435,581	$55,960	($933,557)	$1,512,365	$0	$1,070,349

Year ended June 30, 2013

Financial Position

Purpose of Restriction	
Debt Service	$14,630
Instruction	96,471
Transportation	50,838
Bus Replacement	38,309
Retirement	97,795
Other	62,166
	$360,209

8. RISK MANAGEMENT

The District faces a number of risks including:

a) loss or damage to property
b) general liability
c) workers compensation
d) employee medical insurance

Commercial insurance policies are purchased for loss or damage to property, general liability, and health insurance.

The District participates in a statewide public risk pool, the Montana Schools Group Workers Compensation Risk Retention Program (WCRRP), for workers compensation coverage. Approximately 200 schools participate in WCRRP. All school participants in this pool are jointly and severally liable for the liabilities of this public risk pool.

The pool issues audited financial statements. Information about the amount of claim liabilities, changes in claims liabilities, amount of claims paid, operating results and other information is available at:

WCRRP
1 South Montana Avenue
Helena, Montana 59601

9. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Montana law requires school districts in the state to allow retirees to participate in the District's group health insurance plan until the retirees become eligible for Medicare. Per Governmental Accounting Standards Board Statement No. 45, this gives rise to an implicit rate subsidy and a liability for other post employment benefits. The District considers this liability and the corresponding expense to be immaterial at the date of the financial statements because of a lack of participation by retired employees.

10. CONTINGENCIES

The District has two instances of pending litigation:

Jensen v. Willow Creek and Gallatin Gateway School Districts
Wendy Houghton v. Gallatin County School District No. 35, et. al.

The Jensen lawsuit has been settled effective April 20, 2015. District liability is limited to insurance policy deductible.

The Wendy Houghton lawsuit is in progress. Ultimate resolution is not determinable. The District's financial exposure appears to be the insurance policy deductible.

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2014

	Original Budget	Amended & Final Budget	Actual Amounts Budgetary Basis
REVENUES			
District Levy	$385,726	$385,726	$373,922
Direct State Aid	472,495	472,495	472,495
Guaranteed Tax Base	132,055	132,055	132,055
Other State Sources	110,932	110,932	110,930
County Sources			
Federal Sources			
User Fees			
Interest	2,590	2,590	2,498
Other			
Total Revenues	1,103,798	1,103,798	1,091,900
Total Expenditures	1,103,798	1,103,798	1,103,530
Excess of Revenues over Expenditures	0	0	(11,630)
Net Change in Fund Balance			(11,630)

See notes to required supplemental information.

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
TRANSPORTATION FUND
Year Ended June 30, 2014

	Original Budget	Amended & Final Budget	Actual Amounts Budgetary Basis
REVENUES			
District Levy	$69,642	$69,642	$67,508
Direct State Aid			
Other State Sources	16,050	16,050	14,852
County Sources	11,000	11,000	9,802
Federal Sources			
User Fees			3,246
Interest			317
Other			
Total Revenues	96,692	96,692	95,725
Total Expenditures	117,500	117,500	115,417
Excess of Revenues over Expenditures	(20,808)	(20,808)	(19,692)
Net Change in Fund Balance			(19,692)

See notes to required supplemental information.

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
BUS DEPRECIATION FUND
Year Ended June 30, 2014

	Original Budget	Amended & Final Budget	Actual Amounts Budgetary Basis
REVENUES			
District Levy	$24,200	$24,200	$23,586
Direct State Aid			
Other State Sources			
County Sources			
Federal Sources			
User Fees			
Interest			373
Other			
Total Revenues	24,200	24,200	23,959
Total Expenditures	62,509	62,509	
Excess of Revenues over Expenditures	(38,309)	(38,309)	23,959
Net Change in Fund Balance			23,959

See notes to required supplemental information.

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
RETIREMENT FUND
Year Ended June 30, 2014

	Original Budget	Amended & Final Budget	Actual Amounts Budgetary Basis
REVENUES			
District Levy			
Direct State Aid			
Other State Sources			
County Sources	165,343	165,343	159,882
Federal Sources			
User Fees			
Interest			309
Other			
Total Revenues	165,343	165,343	160,191
Total Expenditures	222,138	222,138	189,065
Excess of Revenues over Expenditures	(56,795)	(56,795)	(28,874)
Net Change in Fund Balance			(28,874)

See notes to required supplemental information.

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013

	Original Budget	Amended & Final Budget	Actual Amounts Budgetary Basis
REVENUES			
District Levy	$381,212	$381,212	$395,114
Direct State Aid	474,174	474,174	474,173
Guaranteed Tax Base	133,933	133,933	133,933
Other State Sources	115,205	115,205	115,206
County Sources			
Federal Sources			
User Fees	865	865	
Interest	3,149	3,149	2,592
Other			
Total Revenues	1,108,538	1,108,538	1,121,018
Total Expenditures	1,108,538	1,108,538	1,108,342
Excess of Revenues over Expenditures	0	0	12,676
Net Change in Fund Balance			12,676

See notes to required supplemental information.

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
TRANSPORTATION FUND
Year Ended June 30, 2013

	Original Budget	Amended & Final Budget	Actual Amounts Budgetary Basis
REVENUES			
District Levy	$70,336	$70,336	$73,909
Direct State Aid			
Other State Sources	20,248	20,248	16,058
County Sources	12,650	12,650	10,259
Federal Sources			
User Fees			3,509
Interest			330
Other			
Total Revenues	103,234	103,234	104,065
Total Expenditures	118,500	118,500	98,723
Excess of Revenues over Expenditures	(15,266)	(15,266)	5,342
Net Change in Fund Balance			5,342

See notes to required supplemental information.

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
RETIREMENT FUND
Year Ended June 30, 2013

	Original Budget	Amended & Final Budget	Actual Amounts Budgetary Basis
REVENUES			
District Levy			
Direct State Aid			
Other State Sources			
County Sources	118,027	118,027	119,954
Federal Sources			
User Fees			
Interest	500	500	751
Other			
Total Revenues	118,527	118,527	120,705
Total Expenditures	160,000	160,000	120,383
Excess of Revenues over Expenditures	(41,473)	(41,473)	322
Net Change in Fund Balance			322

See notes to required supplemental information.

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2013 and Year Ended June 30, 2014

Budgets:
Budgets are adopted by funds defined as budgeted funds as defined in state law (MCA 20-9-201).

The budgets must be adopted on or before August 15th of each year, but may be continued day to day until the 4th Monday in August. If taxable value information is not available. (MCA 20-9-131). Appropriations (budgetary spending authority) lapse at year end except for construction in progress and obligations for the purchase of personal property ordered but not paid for during the current year (MCA 20-9-209). Because Montana schools have appropriations which lapse at year end encumbrances are allowed as a means of budgetary control (NCGA Statement 1 Para 91). Encumbrances do not represent expenditures for the period for generally accepted accounting principles. None were included in the financial statements.

State law requires with certain exceptions only that total actual expenditures not exceed total budgeted expenditures. There were no amendments to the budgets, the amounts shown above are the original, amended, and final budgeted amounts.

DISTRICT No. 35
Gallatin Gateway, Montana

SUPPLEMENTARY SCHEDULE OF SCHOOL DISTRICT ENROLLMENT

Year Ended June 30, 2014

	District Records	Fall Enrollment Report	District Records	Winter Enrollment Report	District Records	Spring Enrollment Report
Kindergarten	18	18	17	17	17	17
Grades 1 - 6	106	106	105	105	103	103
Grades 7 - 8	41	41	44	44	40	40
Total	165	165	166	166	160	160

Students who attend Part-time School

	District Records	Fall Enrollment Report	District Records	Winter Enrollment Report	District Records	Spring Enrollment Report
Grades 1 - 6	2	2	2	2	2	2
Grades 7 - 8	1	1	1	1	1	1
Total	3	3	3	3	3	3

Year Ended June 30, 2013

	District Records	Fall Enrollment Report	District Records	Spring Enrollment Report
Kindergarten	21	21	21	21
Grades 1 - 6	105	105	101	101
Grades 7 - 8	31	31	30	30
Total	157	157	152	152

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

EXTRACURRICULAR FUND

SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION BY STUDENT ACTIVITY

for the Year Ended June 30, 2014

Student Activity	Balance June 30, 2013	Revenues & Misc Earnings	Expenditures & Misc Charges	Transfers In (Out)	Balance June 30, 2014
Class of 2013	$4,843				$4,843
Class of 2014	12,051	35,181	38,445		8,787
Class of 2015	2,693	2,637	726		4,604
Class of 2016	3,654	4,382	3,932		4,104
Class of 2017	1,215	1,843	1,598		1,460
Class of 2018	624	1,244	894		974
Class of 2019	0	438	318		
Class of 2021	33				33
Miscellaneous	62	7,749	7,999		(188)
Student Council	375				375
	$25,550	$53,474	$53,912	$0	$25,112

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana

EXTRACURRICULAR FUND

SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION BY STUDENT ACTIVITY

for the Year Ended June 30, 2013

Student Activity	Balance June 30, 2012	Revenues & Misc Earnings	Expenditures & Misc Charges	Transfers In (Out)	Balance June 30, 2013
Class of 2012	$6,660			($6,660)	$0
Class of 2013	11,892	14,545	24,984	3,390	4,843
Class of 2014	6,979	4,686	704	1,090	12,051
Class of 2015	3,447	3,197	5,341	1,390	2,693
Class of 2016	2,057	3,227	2,720	1,090	3,654
Class of 2017	0	2,350	1,135		1,215
Class of 2018	0	1,600	976		624
Class of 2021	0	100	67		33
Miscellaneous	240	5,893	5,771	(300)	62
Student Council	375				375
	$31,650	$35,598	$41,698	$0	$25,550

ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

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

Board of Trustees
School District No. 35
Gallatin Gateway, 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 School District No. 35, Gallatin Gateway, Montana as of and for the year ended June 30, 2013 and year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise School District No. 35's basic financial statements, and have issued our report thereon dated May 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered School District No. 35'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 School District No. 35's internal control. Accordingly, we do not express an opinion on the effectiveness of School District No. 35'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 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 to be material weaknesses. (Findings No. 2014-01, 2014-02)

3901 W U.S. Highway 212 Ashland, Montana 59003
Tel 406/784-2090 Cell 406/660-1226 Email mcdeed@rangeweb.net

Compliance and Other Matters
As part of obtaining reasonable assurance about whether School District No. 35'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* in the accompanying Schedule of Findings and Questioned Costs.

School District No. 35's Response to Findings
School District No. 35's response to the findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. School District No. 35's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

May 15, 2015

Ross R. Stalcup
Certified Public Accountant

3901 W U.S. Highway 212 Ashland, Montana 59003
Tel 406/784-2090 Cell 406/660-1226 Email mcdeed@rangeweb.net

ROSS R. STALCUP

CERTIFIED PUBLIC ACCOUNTANT, P.C.

INDEPENDENT AUDITORS REPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Board of Trustees
School District No. 35
Gallatin Gateway, Montana

The following is a Schedule of Findings and Questioned Costs which arose during the audit of year ended June 30, 2013 and year ended June 30, 2014.

Current Year
INTERNAL CONTROL FINDINGS

2014(-01) Internal Control over Financial Reporting

Criteria: Auditing Standards (SAS 115) require that entities have internal control procedures over the preparation of their financial statements in accordance with US GAAP.

Condition: The District does not have the ability to prepare financial statements in accordance with requirements.

Context: The District financial statements are prepared by the external auditor.

Effect: A material weakness in internal control over reporting.

Cause: The scale of the District's operations and legally required frequency of its audits make this requirement impractical to comply with.

Recommendation: We recommend the District's management take this matter under consideration.

2014(-02) Segregation of Duties

Criteria: Segregation of duties is essential for internal control.

Condition: The District does not have ideal segregation of duties.

Context: The District has one employee assigned to the accounting function.

Effect: Internal control is not optimal.

Cause: The small staff of the District does not allow for ideal segregation of duties.

Recommendation: We recommend the Board direct the Superintendent to take an active role so that compensating controls exist and that the Board monitor the District's activities.

3901 W U.S. Highway 212 Ashland, Montana 59003
Tel 406/784-2090 Cell 406/660-1226 Email mcdeed@rangeweb.net

Prior Year

2012(-01) Internal Control over Financial Reporting	Recurring see 2014-01
2012(-02) Segregation of Duties	Recurring see 2014-02

May 15, 2015

Ross R. Stalcup
Certified Public Accountant

3901 W U.S. Highway 212 Ashland, Montana 59003
Tel 406/784-2090 Cell 406/660-1226 Email mcdeed@rangeweb.net

Gallatin Gateway School

"Educating the Future"
100 Mill Street, P O Box 265, Gallatin Gateway, MT 59730
Phone: (406) 763-4415 Fax: (406) 763-4886
www.gallatingatewayschool.com

TO: Montana Department of Administration
Local Government Services Bureau-Audit Review Program
PO Box 200547
Helena, MT 59620-0547

RE: FY13, 14 Audit Schedule of Findings - Corrective Action Plan

DATE: May 15, 2015

REPORTABLE CONDITIONS

2014(-01) Internal Control of Financial Reporting

Criteria: Auditing Standards (SAS 115) require that entities have internal control procedures over the preparation of their financial statements in accordance with US GAAP.

Condition: The District does not have the ability to prepare financial statements in accordance with requirements.

Context: The District financial statements are prepared by the external auditor.

Effect: A material weakness in internal control over reporting.

Cause: The scale of the District's operations and legally required frequency of its audits make this requirement impractical to comply with.

Recommendation: We recommend the District's management take this matter under consideration.

District Response: The district has taken this matter under consideration. We do not have the operational scale to be able to employee someone with this skill set.

2014(-02) Segregation of Duties

Criteria: Segregation of duties is essential for internal control.

Condition: The District does not have the ideal segregation of duties.

Context: The District has one employee assigned to the accounting function.

Effect: Internal control is not optimal.

Cause: The small staff of the District does not allow for ideal segregation of duties.

Recommendation: We recommend the Board direct the Superintendent to take an active role so that compensating controls exist and that the Board monitor the District's activities.

District Response: The Superintendent and Board of Trustees take an active role in approving and reviewing transactions which results in the control and monitoring of District activities, we do the best we can as a small district.

Sincerely,

Gallatin Gateway Board of Trustees

copy: Janelle Mickelson, OPI