

**SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana**

**FINANCIAL AND COMPLIANCE
REPORT**

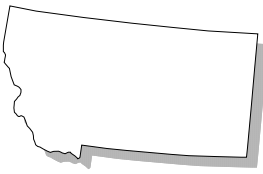
Year ended June 30, 2015

**SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana**

**FINANCIAL AND COMPLIANCE REPORT
Year ended June 30, 2015**

TABLE OF CONTENTS

INDEPENDENT AUDITORS REPORT.....	2 - 3
BASIC FINANCIAL STATEMENTS	
2015	
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
Notes to Financial Statements.	10 - 28
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Encumbrances	
- Budget and Actual - General, Transportation, Retirement Funds.	29 - 31
Notes to Required Supplementary Information.	32
Schedule of Proportionate Share of the Net Pension Liability.	33 - 34
SUPPLEMENTARY INFORMATION	
Schedule of School District Enrollment.	35
Extracurricular Fund Schedule of Revenues, Expenditures, and Changes in Net Position by Student Activity.	36
INDEPENDENT AUDITORS REPORTS	
On Compliance and Internal Control Over Financial Reporting.	37 - 38
Schedule of Findings and Questioned Costs.	39 - 40
MANAGEMENT'S RESPONSE.	41



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, 2015, 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, 2015, 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 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No 27*, and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which resulted in a restatement of the net position as of July 1, 2014. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting Principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule and Schedule Proportionate Share of Net Pension Liabilities 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of American require to be presented to supplement the basic financial statements. Such missing information, although not a part of the 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. Our opinion on the basic financial statements is not affected by this missing information.

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 and the Extracurricular Fund Revenues, Expenditures and Changes in Net Position 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.

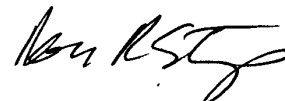
Prior-Year Comparative Information

We have previously audited School District No. 35's June 30, 2014 financial statements, and we expressed an unmodified opinion on our report dated February 17, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, 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 December 9, 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.

December 9, 2015



Ross R. Stalcup
Certified Public Accountant

SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana
STATEMENT OF NET POSITION
JUNE 30, 2015

	2015	2014
ASSETS		
Current Assets:		
Cash.....	\$374,526	\$325,033
Property Taxes Receivable.....	40,708	64,830
Total Current Assets.....	<u>415,234</u>	<u>389,863</u>
Net Capital Assets.....	<u>1,461,503</u>	<u>1,523,559</u>
Total Assets.....	<u>1,876,737</u>	<u>1,913,422</u>
Deferred Outflow of Resources.....	<u>150,583</u>	<u>0</u>
Total Assets and Deferred Outflow of Resources.....	<u><u>2,027,320</u></u>	<u><u>1,913,422</u></u>
LIABILITIES:		
Current Liabilities		
Compensated Absences.....	14,627	43,295
Bonds Payable.....	100,000	80,000
Total Current Liabilities.....	<u>114,627</u>	<u>123,295</u>
Non Current Liabilities		
Compensated Absences.....	29,253	86,589
Bonds Payable.....	535,000	650,000
Pension Liability.....	994,459	0
Total Non Current Liabilities.....	<u>1,558,712</u>	<u>736,589</u>
Total Liabilities.....	<u>1,673,339</u>	<u>859,884</u>
Deferred Inflow of Resources.....	<u>165,565</u>	
Total Liabilities and Deferred Inflow of Resources.....	<u>1,838,904</u>	<u>859,884</u>
Total Net Position.....	<u><u>188,416</u></u>	<u><u>1,053,538</u></u>
NET POSITION		
Net Investment in Capital Assets.....	826,503	793,559
Restricted.....	304,411	277,394
Unrestricted.....	<u>(942,498)</u>	<u>(17,415)</u>
Total Net Position.....	<u><u>\$188,416</u></u>	<u><u>\$1,053,538</u></u>

See Notes to Financial Statements

**SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	Expenses	Program Operating Grants	Revenue Charges for Services	Net (Expense) Revenue 2015	2014
GOVERNMENT OPERATIONS					
Instruction:					
Regular Instruction.....	\$746,920	\$72,950	\$1,024	(\$672,946)	(\$793,911)
Special Education.....	75,588	25,883		(49,705)	(48,276)
Adult Education.....	8,275			(8,275)	(460)
Educational Media.....	57,214			(57,214)	(55,880)
Support Services - Students.....	77,643			(77,643)	(57,429)
Administration:					
General.....	87,456			(87,456)	(84,964)
Building.....	47,441			(47,441)	(71,306)
Business.....	100,126			(100,126)	(96,924)
Operation and Maintenance.....	162,927		3,452	(159,475)	(159,430)
Transportation.....	94,910	19,852		(75,058)	(75,055)
Food Services.....	93,778	30,960	45,398	(17,420)	(5,720)
Student Extracurricular.....	20,667			(20,667)	(16,416)
Interest.....	22,365			(22,365)	(24,715)
Pension Expense.....	6,530			(6,530)	0
Unallocated Depreciation.....	62,056			(62,056)	(57,035)
Totals.....	<u>\$1,663,896</u>	<u>\$149,645</u>	<u>\$49,874</u>	<u>(\$1,464,377)</u>	<u>(\$1,561,414)</u>
GENERAL REVENUES					
District Property Taxes.....				\$689,679	\$635,369
State Equalization.....				478,662	448,279
Guaranteed Tax Base.....				136,548	140,814
Other State Revenue.....				193,980	122,638
County Property Taxes.....				109,998	159,882
Interest.....				3,679	4,026
Other.....				27,497	33,595
Total General Revenues.....				<u>\$1,640,043</u>	<u>\$1,544,603</u>
CHANGE IN NET POSITION.....				175,666	(16,811)
NET POSITION					
Beginning of Year.....				1,053,538	1,070,349
Prior Period Adjustment GASB 68.....				(1,040,788)	
Beginning of Year Restated.....				12,750	1,070,349
End of the Year.....				<u>\$188,416</u>	<u>\$1,053,538</u>

See Notes to Financial Statements

**SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	MAJOR FUNDS				NON MAJOR FUNDS				Total
	General Fund	Transportation Fund	Bus Depreciation Fund	Retirement Fund	Misc Projects Fund	Debt Service Fund	Other Governmental Funds		
ASSETS:									
Cash.	\$81,092	\$30,374	\$87,588	\$2,351	\$97,755	\$6,140	\$69,226	\$374,526	
Property Taxes Receivable.	22,949	5,108	1,431			6,612	4,608	40,708	
Total Assets.	<u>104,041</u>	<u>35,482</u>	<u>89,019</u>	<u>2,351</u>	<u>97,755</u>	<u>12,752</u>	<u>73,834</u>	<u>415,234</u>	
Deferred Outflows of Resources.	0	0	0	0	0	0	0	0	
Total Assets and Deferred Outflows of Resources.	<u><u>104,041</u></u>	<u><u>35,482</u></u>	<u><u>89,019</u></u>	<u><u>2,351</u></u>	<u><u>97,755</u></u>	<u><u>12,752</u></u>	<u><u>73,834</u></u>	<u><u>415,234</u></u>	
LIABILITIES:									
Total Liabilities.	0	0	0	0	0	0	0	0	
Deferred Inflows of Resources.	22,949	5,108	1,431	0	0	6,612	4,608	40,708	
Total Liabilities and Deferred Inflows of Resources.	<u><u>22,949</u></u>	<u><u>5,108</u></u>	<u><u>1,431</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>6,612</u></u>	<u><u>4,608</u></u>	<u><u>40,708</u></u>	
FUND BALANCE:									
Restricted.		30,374	87,588	2,351	97,755	6,140	62,444	286,652	
Assigned.							6,782	6,782	
Unassigned.	81,092							81,092	
Total Fund Balance.	<u>81,092</u>	<u>30,374</u>	<u>87,588</u>	<u>2,351</u>	<u>97,755</u>	<u>6,140</u>	<u>69,226</u>	<u>374,526</u>	
Total Liabilities and Fund Balance.	<u><u>\$104,041</u></u>	<u><u>\$35,482</u></u>	<u><u>\$89,019</u></u>	<u><u>\$2,351</u></u>	<u><u>\$97,755</u></u>	<u><u>\$12,752</u></u>	<u><u>\$73,834</u></u>	<u><u>\$415,234</u></u>	

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance from above.	\$374,526
Net capital assets.	1,461,503
Deferred inflow of resources - property taxes.	40,708
Less liabilities not reported above:	
Compensated absences.	(43,880)
Bonds Payable.	(635,000)
Deferred outflow of resources - pensions.	150,583
Deferred inflow of resources - pensions.	(165,565)
Pension Liability.	(994,459)
Net Position.	<u><u>\$188,416</u></u>

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, 2015**

	MAJOR FUNDS				NON MAJOR FUNDS			Total
	General Fund	Transportation Fund	Bus Depreciation Fund	Retirement Fund	Misc Projects Fund	Debt Service Fund	Other Governmental Funds	
REVENUES:								
District Levy.....	\$404,358	\$90,669	\$24,750			\$112,476	\$81,550	\$713,803
Direct State Aid.....	504,545							504,545
Guaranteed Tax Base.....	131,583					4,965		136,548
Other State Sources.....	128,421	16,770					12,943	158,134
County Sources.....		9,926		109,998				119,924
Federal Sources.....					81,104		30,699	111,803
User Fees/Impact Fees.....	1,024	3,452					45,398	49,874
Interest.....	2,129	251	570	385			344	3,679
Other.....					27,497			27,497
Total Revenues.....	1,172,060	121,068	25,320	110,383	108,601	117,441	170,934	1,825,807
EXPENDITURES:								
Current Operations:								
Instruction:								
Regular Programs.....	599,151			80,494	61,891		5,384	746,920
Special Programs.....	54,411			11,914	9,263			75,588
Adult Education.....				745			7,530	8,275
Educational Media.....	49,368			7,846				57,214
Support Services Students.....	48,800			7,551	3,144		18,148	77,643
Administration								
General.....	77,803			9,653				87,456
Building.....	94,489			21,956				116,445
Business.....	78,643	17,540		14,943				111,126
Operation and Maintenance.....	137,092	11,536		1,931	2,462		9,906	162,927
Transportation.....		86,233		14,594	83			100,910
Food Services.....	12,640			3,821	960		76,357	93,778
Student Extracurricular.....	13,066			1,505	6,096			20,667
Debt Service.....						117,365		117,365
Total Expenditures.....	1,165,463	115,309	0	176,953	83,899	117,365	117,325	1,776,314
Excess (Deficiency) of Revenues Over Expenditures And Other Financing.....	6,597	5,759	25,320	(66,570)	24,702	76	53,609	49,493
FUND BALANCE								
Beginning of the Year.....	74,495	24,615	62,268	68,921	73,053	6,064	15,617	325,033
End of the Year.....	\$81,092	\$30,374	\$87,588	\$2,351	\$97,755	\$6,140	\$69,226	\$374,526

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, 2015

Change in Fund Balances.	\$49,493
Change in Property Taxes Receivable not included in the Governmental Fund Statements.	(24,122)
Amounts Reported as Expenditures in the Governmental Fund Statements	
Decrease in Compensated Absences.	86,004
Expenses on the Statement of Activities not included in the Governmental Fund Statements	
Principal & Premium Amortization.	95,000
Depreciation.	(62,056)
On Behalf Payment.	37,877
Pension Expense.	(6,530)
Change in Net Position.	<u>\$175,666</u>

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
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

FIDUCIARY NET POSITION

	Extracurricular
ASSETS	
Cash.	<u>\$21,937</u>
NET POSITION	
Held in Trust.	<u>21,937</u>
CHANGES IN FIDUCIARY NET POSITION	
Revenue & Transfers.	31,422
Expenditures & Transfers.	(34,597)
NET POSITION	
BEGINNING.	<u>25,112</u>
ENDING.	<u>\$21,937</u>

See Notes to Financial Statements

**SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

TABLE OF CONTENTS

<u>Note</u>	<u>Page</u>
Summary of Significant Accounting Policies:	
Reporting Entity.	1A 11
Basis of Presentation and Basis of Accounting.	1B 11-12
Specific Accounting Policies:	
Cash and Investments.	1C 13
Inventories.	1D 13
Property Taxes.	1E 13
Capital Assets.	1F 13
Compensated Absences.	1G 13
Fund Equity.	1H 13
Use of Estimates.	1I 14
Deferred Inflow/Outflow of Resources.	1J 14
Retirement System.	1K 14
Implementation of New GASB Statements.	2 15
Cash and Investments.	3 16
Capital Assets.	4 16
Long Term Debt.	5 17
Other Post Employment Benefits.	6 18
Fund Balance/ Net Position Disclosures.	7 18-20
Employee Retirement System.	8 20-27
Contingencies.	9 28
Subsequent Event.	10 28
Risk Management.	11 28

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:

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

Established in accordance with MCA 20-10-143 to account for student transportation provided by the District.

Bus Depreciation fund

Established in accordance with MCA 20-10-147 to fund bus replacement.

Retirement fund

Established in accordance with MCA 20-9-501 to fund retirement for District employees.

Miscellaneous Projects fund

Established in accordance with MCA 20-9-547 to account for money received from various sources and its use.

Debt Service fund

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

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, 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.

H. Fund Equity

See Note 7.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, and Other Post Employment Benefit liability.

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.

K. 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.

The Montana Public Employee Retirement Administration (MPERA) and the Teachers' Retirement System (TRS) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA and TRS. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred.

Investments are reported at fair value. MPERA and TRS adhere to all applicable Governmental Accounting Standards Board (GASB) statements.

2. IMPLEMENTATION OF NEW GASB STATEMENTS

Beginning in fiscal year 2015 the District implemented the following statements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 35. 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 District to expand its pension foot note disclosures, and to recognize a liability.

GASB Statement No. 69 – Government Combinations and Disposals of Government Operations. The statement is applicable for fiscal year 2015. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The District is not merging with another District or ceasing to exist. This statement has no effect on the financial statements.

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.

GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This statement changes the hierarchy of generally accepted accounting principles (GAAP) The statement is applicable for fiscal year 2016, however the District implemented this statement in fiscal year 2015.

The following are a listing of GASB statements which have been issued but are not in effect and the District assessment of effects to the financial statements:

GASB Statement No. 72 – Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District has not early implemented, but anticipates this to be only a terminology change in the notes to the financial statements.

GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This statement provides guidance on nonemployee entity pension plans. This statement appears to be applicable to the State of Montana and may have no effect on the District. The District is reviewing this statement further to ensure proper reporting in fiscal year 2016, if applicable, but does not consider it applicable.

GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other than Pension Plans. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. The statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This statement is effective for FY 2017 and the District has determined it will have no effect on its financial reporting.

GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. This statement is effective for fiscal year 2017 and the District anticipates this statement to have no effect. The District plans to implement when they update their OPEB numbers at the next evaluation date or by the due date, whichever, comes first.

Notes to Financial Statements (continued)

3. CASH AND INVESTMENTS

District cash and investments are held by the Gallatin County Treasurer and invested at the direction of the District.

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

The District does not have policies regarding credit risk, interest rate risk, or custodial credit risk, but relies on State law for allowable investments.

4. CAPITAL ASSETS

Capital asset activity during 2015 was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Cost of assets:				
Land	58,361			58,361
Buildings and Improvements	1,844,142			1,844,142
Equipment	292,758		(121,785)	170,973
Construction in Progress				0
Total	<u>2,195,261</u>	<u>0</u>	<u>(121,785)</u>	<u>2,073,476</u>
Accumulated depreciation:				
Land Improvements				0
Buildings and Improvements	(527,478)	(27,853)		(555,331)
Equipment	(144,224)	(34,203)	121,785	(56,642)
Total	<u>(671,702)</u>	<u>(62,056)</u>	<u>121,785</u>	<u>(611,973)</u>
Capital Assets, Net	<u>\$1,523,559</u>	<u>(\$62,056)</u>	<u>\$0</u>	<u>\$1,461,503</u>

Depreciation is not allocated.

Notes to Financial Statements (continued)

5. LONG TERM DEBT

	June 30 2014	Payment	Additions	June 30 2015	Current
Compensated Absences	129,884	(86,004)		43,880	14,627
Pension Liability			994,459	994,459	N/A
	129,884	(86,004)	994,459	1,038,339	14,627
General Obligation Bonds					
2011 Refunding Bonds	730,000	(95,000)		635,000	100,000
Total	129,884	(86,004)	994,459	1,038,339	14,627

Amortization 2011 bonds

	Interest	Principal
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
	\$71,800	\$635,000

6. 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.

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.

The general policy also applies to fund classification.

Additionally the District has a general policy that resources will be spent in the following order: Restricted, Committed, Assigned, Unassigned assuming that there are different classifications within a particular fund.

Notes to Financial Statements (continued)

7. FUND BALANCE/NET POSITION DISCLOSURES (continued)

Fund Balance Classification is as follows:

	MAJOR FUNDS					NON-MAJOR		Total
	General Fund	Transportation Fund	Bus Depreciation Fund	Retirement Fund	Misc Projects Fund	Debt Service Fund	Other Government Funds	
Restricted:								
Instruction					97,755			97,755
Adult Education							29,206	29,206
Tuition							852	852
Technology							2,537	2,537
Transportation		30,374						30,374
School Food							469	469
Bus Replacement			87,588					87,588
Capital Outlay							29,380	29,380
Retirement				2,351				2,351
Debt Service						6,140		6,140
								0
	0	30,374	87,588	2,351	97,755	6,140	62,444	286,652
Assigned:								
Instruction							6,782	6,782
	0	0	0	0	0	0	6,782	6,782
Unassigned:	81,092							81,092
Total Fund Balance	81,092	30,374	87,588	2,351	97,755	6,140	69,226	374,526

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	304,411
Invested in Capital Assets	826,503
Unrestricted	(942,498)
	<u>\$188,416</u>

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

	Deferred Inflow Property Taxes	Capital Net	Assets Debt	Compensated Absences	Pension Adjustments Net	Adjustments	Net Position
Fund Balances							
Restricted	286,652	17,759					304,411
Invest Capital Assets		1,461,503	(635,000)				826,503
Assigned	6,782					(6,782)	0
Unrestricted				(43,880)	(1,009,441)	110,823	(942,498)
Unassigned	81,092	22,949				(104,041)	0
Total	\$374,526	\$40,708	\$1,461,503	(\$635,000)	(\$43,880)	(\$1,009,441)	\$0
							\$188,416

7. FUND BALANCE/NET POSITION DISCLOSURES (continued)

Net Position

Purpose of Restriction

Capital Projects	\$29,380
Instruction	97,755
Debt Service	12,753
Bus Replacement	89,019
Transportation	35,482
Other	40,022
	\$304,411

8. 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.

Both plans issue publicly available annual reports, stand-alone financial statements, actuarial valuations and experience studies. 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.trs.mt.gov

Public Employees Retirement System
P.O. Box 200131
100 N. Park Avenue Suite 200
Helena, MT 59620-0131
Phone: 406-444-3154
www.mpera.mt.gov

PUBLIC EMPLOYEE RETIREMENT SYSTEM (PERS)

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan covers the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the defined contribution and defined benefit retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP). For members that choose to join the PERS-DCRP or the MUS-RP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP.

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

8. EMPLOYEE RETIREMENT SYSTEM (continued)

SUMMARY OF BENEFITS

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months; Hired on or after July 1, 2011 - highest average compensation during any consecutive 60 months; Hired on or after July 1, 2013 - 110% annual cap on compensation considered as part of a member's highest average compensation.

Eligibility for benefit (Service retirement):

Hired prior to July 1, 2011: Age 60, 5 years of membership service; Age 65, regardless of membership service; or any age, 30 years of membership service.

Hired on or after July 1, 2011: Age 65, 5 years of membership service; Age 70, regardless of membership service.

Early retirement, actuarially reduced:

Hired prior to July 1, 2011: Age 50, 5 years of membership service; or any age, 25 years of membership service.

Hired on or after July 1, 2011: Age 55, 5 years of membership service.

OVERVIEW OF CONTRIBUTIONS

1. Rates are specified by state law for periodic employer and employee contributions. The State legislature has the authority to establish and amend contribution rates to the plan.

2. Member contributions to the system:

a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.

b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

3. Employer contributions to the system:

a. State and University System employers are required to contribute 8.27% of members' compensation.

b. Local government entities are required to contribute 8.17% of members' compensation.

c. School district employers contributed 7.90% of members' compensation.

d. Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.

e. Effective July 1, 2013, the additional employer contributions for DCRP and MUS-RP is allocated to the defined benefit plan's Plan Choice Rate unfunded liability.

f. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

4. Non Employer Contributions

a. Special Funding

i. The State contributes 0.1% of members' compensation on behalf of local government entities.

ii. The State contributes 0.37% of members' compensation on behalf of school district entities.

b. Not Special Funding

i. The State contributes from the Coal Tax Severance fund

ACTUARIAL ASSUMPTIONS

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of June 30, 2014. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

General Wage Growth*	4.00%
*includes Inflation a	3.00%
Merit Increases	0% to 6%
Investment Return	7.75%
Post retirement Benefit Increases	
3% for members hired prior to July 1, 2007	
1.5% for members hired on or after July 1, 2007	

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM (continued)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

*At this time as a result of permanent injunction issued in the AMRPE vs State litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013 is pending.

•Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.

•Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

DISCOUNT RATE

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non- employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

TARGET ALLOCATIONS

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014, is summarized in the above table.

8. EMPLOYEE RETIREMENT SYSTEM (continued)

TEACHERS' RETIREMENT SYSTEM (TRS)

Teachers' Retirement System (TRS or the System) is a mandatory-participation multiple-employer cost-sharing defined-benefit public pension plan that provides retirement services to individuals employed as teachers, administrators, and in other professional and skilled positions employed in public education in Montana.

The TRS Board is the governing body of the System and the TRS staff administers the system in conformity with the laws set forth in Title 19, chapter 20 of the Montana Code Annotated, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana.

SUMMARY OF BENEFITS

Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

- Tier Two uses a 5-year average final compensation (as opposed to 3-year AFC in Tier One)
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One)
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One)
- Tier Two has a one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also now currently in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation - $1.85\% \times \text{AFC} \times \text{years of creditable service}$ - for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than $1.6667 \times \text{AFC} \times \text{years of creditable service}$)

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA calculated prior to July 1, 2013, was 1.5% of the benefit payable as of January 1st. Effective July 1, 2013, the GABA to be calculated for Tier One and Tier Two members each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation. The legislative enactment that allows for reduction of the GABA for Tier One members is currently being litigated. A temporary restraining order requires continued calculation of the GABA at the full 1.5% rate for Tier One members pending resolution of the litigation.

OVERVIEW OF CONTRIBUTIONS

1. Rates are specified by state law for periodic employer and employee contributions. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 8.15% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
3. Employer contributions to the system:
 - a. State and University System employers are required to contribute 9.85% of members' compensation and employer. This amount shall increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of re-employed retiree compensation.
 - b. School districts and other entities are required to contribution 7.47% of members' compensation. This amount shall increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024.
4. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 2.49% of members' compensation on behalf of School Districts and Other Employers.
 - ii. The State contributes 0.11% of members' compensation on behalf of State and University Employers.
 - iii. The State is also required to contribute \$25 million in perpetuity payable July 1st of each year.

8. EMPLOYEE RETIREMENT SYSTEM (continued)**ACTUARIAL ASSUMPTIONS**

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of July 1, 2014. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of the last actuarial experience study, dated May 1, 2014. Among those assumptions were the following:

Total Wage Increases*	8.51%
Investment Return	7.75%
Price Inflation	3.25%
Post retirement Benefit Increases (Starting three years after retirement)	1.50%

•Mortality among contributing members, service retired members, and beneficiaries
 -For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
 -For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.

•Mortality among disabled members
 -For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
 -For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

*Total Wage Increases include 4.00% general wage increase assumption and 4.51% merit and longevity increases.

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2116. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

TARGET ALLOCATIONS

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Broad US Equity	36.00%	4.80%
Broad International Equity	18.00%	6.05%
Private Equity	12.00%	8.50%
Intermediate Bonds	23.40%	1.50%
Core Real Estate	4.00%	4.50%
High Yield Bonds	2.60%	3.25%
Non-Core Real Estate	4.00%	7.50%

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared every four years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated May 1, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

8. EMPLOYEE RETIREMENT SYSTEM (continued)

The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014, is summarized in the above table.

SENSITIVITY ANALYSIS

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

	1.0% Decrease	Current Discount Rate	1.0% Increase
PERS			
Net Pension Liability	\$ 1,982,274,732	\$ 1,246,010,898	\$ 625,044,646
Employer's proportion of Net Pension Liability	\$ 172,616	\$ 108,509	\$ 54,432
TRS			
Net Pension Liability	N/A	N/A	N/A
Employer's proportion of Net Pension Liability	\$ 1,230,867	\$ 885,950	\$ 594,549

NET PENSION LIABILITY

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS) and TRS. Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions.

In accordance with Statement 68, PERS and TRS have special funding situations in which the State of Montana is legally responsible for making contributions directly to PERS and TRS on behalf of the employers. Due to the existence of this special funding situation, local governments and school districts are required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

The State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Severance Tax and interest to the PERS. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer.

	Net Pension Liability as of 6/30/13	Net Pension Liability as of 6/30/14	Percent of Collective NPL
PERS			
Employer Proportionate Share	\$ 139,634	\$ 108,509	0.008708%
State of Montana Proportionate Share associated with Employer	6,527	5,072	0.042348%
Total	<u>146,161</u>	<u>113,581</u>	0.051056%
TRS			
Employer Proportionate Share	1,024,046	885,950	0.057600%
State of Montana Proportionate Share associated with Employer	704,403	609,412	0.039600%
Total	<u>1,728,449</u>	<u>1,495,362</u>	0.097200%

8. EMPLOYEE RETIREMENT SYSTEM (continued)

Changes in actuarial assumptions and methods: Any changes can be obtained from PERS or TRS as in the first part of this note.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective Net Pension Liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

PENSION EXPENSE

PERS	Pension Expense as of 6/30/14
Employer's Proportionate Share	\$4,798
State of Montana Proportionate Share associated with the Employer	3,752
Total	<u>8,550</u>
TRs	Pension Expense as of 6/30/14
Employer's Proportionate Share	\$62,952
State of Montana Proportionate Share associated with the Employer	34,125
Total	<u>97,077</u>

At June 30, 2015, the employer recognized a Pension Expense of \$8,550 and \$97,077 for its proportionate share of the PERS and TRS Pension Expense, respectively. The employer also recognized grant revenue of \$3,752 and \$34,125 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer for PERS and TRS, respectively.

RECOGNITION OF BEGINNING DEFERRED OUTFLOW – GASB 71

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for the employers FY 2014 contributions of \$8,030 and \$114,862 for PERS & TRS, respectively.

DEFERRED INFLOWS AND OUTFLOWS

At June 30, 2015, the employer reported its proportionate share of PERS and TRS' deferred outflows of resources and deferred inflows of resources related to PERS and TRS from the following sources:

	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources	TRs Deferred Outflows of Resources	TRs Deferred Inflows of Resources
Differences between actual and expected experience			\$8,764	\$0
Changes in assumptions			20,079	0
Difference between projected and actual earnings on pension plan investments		28,037	0	137,221
Changes in proportion differences between employer contributions and proportionate share of contributions		307	N/A	N/A
Difference between actual and expected contributions			22,192	0
#Contributions paid subsequent to the measurement date- FY 2015 Contributions	8,515		91,033	
Total	<u>\$8,515</u>	<u>\$28,344</u>	<u>\$142,069</u>	<u>\$137,221</u>

Notes to Financial Statements (continued)

8. EMPLOYEE RETIREMENT SYSTEM (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

Year ended June 30	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources	PERS Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense	TRS Deferred Outflows of Resources	TRS Deferred Inflows of Resources	TRS Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	\$0	\$7,112	\$7,112	\$17,012	\$34,305	(\$17,293)
2017	\$0	\$7,112	\$7,112	\$17,012	\$34,305	(\$17,293)
2018	\$0	\$7,009	\$7,009	\$17,012	\$34,305	(\$17,293)
2019	\$0	\$0	\$0	\$0	\$34,305	(\$34,305)
2020	N/A	N/A	N/A	\$0	\$0	\$0
Thereafter	N/A	N/A	N/A	\$0	\$0	\$0

This schedule is based on the actuarial values as of July 1, 2012. Information for prior years is not available.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**PENSION AMOUNTS TOTAL FOR EMPLOYER –
EMPLOYER'S PROPORTION OF TRS AND PERS PENSION AMOUNTS**

	The employer's proportionate share associated with PERS	The employer's proportionate share associated with TRS	The employer's Total Pension Amounts
Total Pension Liability	N/A	\$2,988,616	\$2,988,616
Fiduciary Net Position	N/A	\$2,102,666	\$2,102,666
Net Pension Liability	\$108,509	\$885,950	\$994,459
Deferred Outflows of Resources	\$8,514	\$51,035	\$59,549
Deferred Inflows of Resources	\$28,344	\$137,221	\$165,565
Pension Expense	\$8,550	\$97,077	\$105,627

9. CONTINGENCIES

The District has an instance of pending litigation:

Wendy Houghton v. Gallatin County School District No. 35, et. al.

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

10. SUBSEQUENT EVENT

Subsequent to year end a court decision overruled Gallatin County and approved a subdivision within the District.

This has the potential to increase enrollment and potentially cause a need for infrastructure upgrades.

None of it is measurable as of the date of the auditors report.

11. 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

**SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana**

**SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2015**

	Original Budget	Amended & Final Budget	Actual Amounts Budgetary Basis
REVENUES			
District Levy	\$397,824	\$397,824	\$404,358
Direct State Aid	504,544	504,544	504,545
Guaranteed Tax Base	131,583	131,583	131,583
Other State Sources	128,422	128,422	128,421
County Sources			
Federal Sources			
User Fees			1,024
Interest	2,498	2,498	2,129
Other			
Total Revenues	1,164,871	1,164,871	1,172,060
Total Expenditures	1,164,871	1,164,871	1,165,463
Excess of Revenues over Expenditures	0	0	6,597
Change in Encumbrances			
Net Change in Fund Balance			6,597

See notes to required supplemental information.

**SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana**

**SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES
BUDGET AND ACTUAL
TRANSPORTATION FUND
Year Ended June 30, 2015**

	Original Budget	Amended & Final Budget	Actual Amounts Budgetary Basis
REVENUES			
District Levy	\$90,059	\$90,059	\$90,669
Direct State Aid			
Other State Sources	17,777	17,777	16,770
County Sources	10,934	10,934	9,926
Federal Sources			
User Fees			3,452
Interest			251
Other			
Total Revenues	118,770	118,770	121,068
Total Expenditures	119,488	119,488	115,309
Excess of Revenues over Expenditures	(718)	(718)	5,759
Change in Encumbrances			
Net Change in Fund Balance			5,759

See notes to required supplemental information.

**SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana**

**SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES
BUDGET AND ACTUAL
RETIREMENT FUND
Year Ended June 30, 2015**

	Original Budget	Amended & Final Budget	Actual Amounts Budgetary Basis
REVENUES			
District Levy			
Direct State Aid			
Other State Sources			
County Sources	106,789	106,789	109,998
Federal Sources			
User Fees			
Interest			385
Other			
Total Revenues	106,789	106,789	110,383
Total Expenditures	146,500	146,500	176,953
Excess of Revenues over Expenditures	(39,711)	(39,711)	(66,570)
Change in Encumbrances			
Net Change in Fund Balance			(66,570)

See notes to required supplemental information.

**SCHOOL DISTRICT No. 35
Gallatin Gateway, Montana**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015**

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 20th of each year, but may be continued day to day until the 25th of 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 amendments to the budgets, the amounts shown above are the original, amended, and final budgeted amounts.

GAAP based expenditures did not differ from budgetary basis.

**GALLATIN GATEWAY PUBLIC SCHOOL
District No. 35, Gallatin County
Gallatin Gateway, Montana**

**Schedule of Proportionate Share
of the Net Pension Liability**

Plan: PERS

Schedule of Proportionate Share of the Net Pension Liability:

	2015		
Employer's proportion of the net pension liability	\$108,509		
Employer's proportionate share of the net pension liability associated with the Employer (as a percentage)	0.0087%		
State of MT proportionate share of the net pension liability associated with the Employer	\$5,072		
Total	\$113,581	0	0
Employer's covered-employee payroll	\$107,562		
Employer's proportionate share of the net pension liability as of its covered-employee payroll (as a percentage)	100.01%		
Plan fiduciary net position the total pension liability (as a percentage)	79.9000%		
<i>*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available</i>			

Schedule of Contributions:

	2015		
Contractually required contributions	\$8,515		
Contributions in relation to the contractually required contributions	\$8,515		
Contribution deficiency (excess)	\$0	0	0
Employer's covered-employee payroll	\$107,562		
Contributions of covered-employee payroll (as a percentage)	7.92%		
<i>*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available</i>			

**GALLATIN GATEWAY PUBLIC SCHOOL
District No. 35, Gallatin County
Gallatin Gateway, Montana**

**Schedule of Proportionate Share
of the Net Pension Liability**

Plan: **TRS**

Schedule of Proportionate Share of the Net Pension Liability:

	2015				
Employer's proportion of the net pension liability	\$885,950				
Employer's proportionate share of the net pension liability associated with the Employer (as a percentage)	0.0576%				
State of MT proportionate share of the net pension liability associated with the Employer	\$609,412				
Total	\$1,495,362	0	0	0	0
Employer's covered-employee payroll	\$722,359				
Employer's proportionate share of the net pension liability as of its covered-employee payroll (as a percentage)	122.60%				
Plan fiduciary net position the total pension liability (as a percentage)	70.36%				

**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available*

Schedule of Contributions:

	2015				
Contractually required contributions	\$91,033				
Contributions in relation to the contractually required contributions	\$91,033				
Contribution deficiency (excess)	\$0	0	0	0	0
Employer's covered-employee payroll	\$722,359				
Contributions of covered-employee payroll (as a percentage)	12.6%				

**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available*

**GALLATIN GATEWAY PUBLIC SCHOOL
 District No. 35, Gallatin County
 Gallatin Gateway, Montana**

SUPPLEMENTARY SCHEDULE OF SCHOOL DISTRICT ENROLLMENT

Year Ended June 30, 2015

	District Records	Fall Enrollment Report	District Records	Winter Enrollment Report	District Records	Spring Enrollment Report
Kindergarten	18	18	18	18	18	18
Grades 1 - 6	102	102	103	103	102	102
Grades 7 - 8	32	32	33	33	33	33
Total	152	152	154	154	153	153

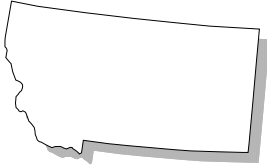
**GALLATIN GATEWAY PUBLIC SCHOOL
DISTRICT No. 35, Gallatin COUNTY
Gallatin Gateway, Montana**

EXTRACURRICULAR FUND

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

for the Year Ended June 30, 2015

Student Activity	Balance June 30, 2014	Revenues & Misc Earnings	Expenditures & Misc Charges	Transfers In (Out)	Balance June 30, 2015
Class of 2013	\$4,843			(\$4,843)	\$0
Class of 2014	8,787		225	(8,562)	0
Class of 2015	4,604	23,338	27,380	2,234	2,796
Class of 2016	4,104	952		2,234	7,290
Class of 2017	1,460	3,245	4,135	2,235	2,805
Class of 2018	974	780		2,234	3,988
Class of 2019	120			2,234	2,354
Class of 2021	33			2,234	2,267
Miscellaneous	(188)	3,107	2,857		62
Student Council	375				375
	\$25,112	\$31,422	\$34,597	\$0	\$21,937



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, 2015, 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 December 9, 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.

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. 2015-01, 2015-02)

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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* in the accompanying Schedule of Findings and Questioned Costs. (Finding No. 2015-02)

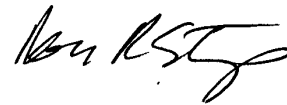
School District No. 35's Response to Findings

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.

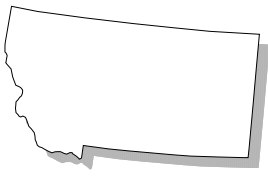
Purpose of this Report

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.

December 9, 2015



Ross R. Stalcup
Certified Public Accountant



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, 2015.

Current Year
INTERNAL CONTROL FINDINGS

2015(-01) 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.

INTERNAL CONTROL AND COMPLIANCE FINDINGS

2015(-02) Budget Over Expenditures

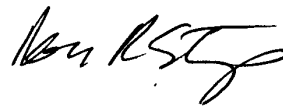
- Criteria: Montana law 20-9-147 limits expenditures made by budgeted fund to the amount of the budget.
- Condition: The General Fund (\$592) and the Retirement Fund (\$30,453) both had expenditures in excess of budget.
- Context: The District over expended its budget in two funds.
- Effect: Non-compliance with state statute.
- Cause: Year end transactions and unanticipated retirement.
- Recommendation: Monitor this in future. The District has not had this issue in the previous 8 years.

Prior Year

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

No longer considered a finding
Recurring see 2015-01

December 9, 2015



Ross R. Stalcup
Certified Public Accountant



GALLATIN GATEWAY SCHOOL

SCHOOL DISTRICT #35 • P.O. BOX 265 • GALLATIN GATEWAY, MONTANA 59730 • 763-4415

TO: Ross R Stalcup, CPA
3901 W US Hwy 212
Ashland, MT 59003

FROM: Carrie Fisher- District Clerk/Business Manager
Gallatin Gateway School Board

DATE: December 14, 2015

SUBJECT: Response to audit findings

2015-01 Segregation of Duties

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 with limited personnel. However, the district lacks scale to enable optimal Segregation of Duties.

2015-02 Budget Over Expenditure

District Response: The District reviewed this matter at length. We consider these two instances to be anomalous based on prior years, but, the Board of Trustees will monitor this at year-end and throughout the year.