

***GATEWAY REGIONAL SCHOOL DISTRICT***

**FINANCIAL STATEMENTS  
INCLUDING INDEPENDENT AUDITOR'S REPORTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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## INDEPENDENT AUDITOR'S REPORT

To the School Committee of the  
Gateway Regional School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Gateway Regional School District of the Commonwealth of Massachusetts (the "District") as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2010 on our consideration of the District'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis beginning on page 2-1 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining and other schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and other schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Stanley H. Kulas, CPA*

STANLEY H. KULAS  
Certified Public Accountant

September 23, 2010

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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As management of the Gateway Regional School District of the Commonwealth of Massachusetts, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information provided throughout this document.

**FINANCIAL HIGHLIGHTS**

On a government-wide basis:

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$30,645,032.(Exhibit A)
- The District's total net assets for governmental activities decreased by \$536,712 and decreased by \$57,151 for the business-type activities.(Exhibit B)
- The District's long-term obligations increased by \$406,482 to \$10,013,426 for governmental activities and decreased by \$61 to \$0 for business-type activities during the year.

On a governmental fund basis:

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,053,270 (Exhibit C), an increase of \$826,960 in comparison with the prior year (Exhibit D).
- As of June 30, 2010, the School Roof Repair Fund had a deficit balance of \$57,000. This deficit results from the accounting convention of recognizing revenue from debt only upon the issuance of permanent financing. As of June 30, 2010, bond anticipation notes (temporary debt) of \$57,000 have been issued to finance the roof repair. This deficit should be eliminated in subsequent years with financing from the general fund.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$973,335 (Exhibit C), or 5.82% of next year's budgeted general fund expenditures of \$16,711,407.
- The District's bond anticipation notes decreased by \$57,000 to \$57,000 during the current fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2010

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**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets/(liabilities) may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets/(liabilities) changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected state grants are recognized as receivables due from other governments, and earned but unused vacation leave is recognized as a liability for compensated absences).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The District has one business-type activity to "sell" laptop computers to students which it treats as an enterprise fund. The governmental activities of the District include administration, instruction, ancillary school charges, maintenance and operations, insurance and other fixed charges, programs with other schools, transportation, and capital improvements.

The government-wide financial statements can be found in Exhibits A and B of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations to facilitate this comparison between governmental funds and governmental activities are provided in Exhibit C and Exhibit J – Note 2.

The District maintains various individual governmental funds. Information is presented separately in the governmental fund balance sheet (Exhibit C) and in the governmental fund statement of revenues, expenditures, and changes in fund balances (Exhibit D) for the general fund, and the state payments on-behalf of teacher retirement fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining schedules 1 through 6 in this report.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2010

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The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget (Exhibit E).

The basic governmental fund financial statements can be found in Exhibits C through E of this report.

**Proprietary funds.** Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The District uses an enterprise fund to account for its lease purchase of laptop computers from vendors and its subsequent lease sale of these laptops to its students. The accounting for this enterprise fund is the accrual basis.

The basic proprietary fund financial statements can be found in Exhibits F, and G of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is the accrual basis.

The basic fiduciary fund financial statements can be found in Exhibits H and I of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found in Exhibit J of this report.

**Other information.** The combining schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund schedules and other types of schedules can be found in Schedules 1 through 9 of this report.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Summary of the major features of the government-wide and fund financial statements.**

	-----Fund Financial Statements-----			
	Government-wide Statements	Governmental	Proprietary	Fiduciary
Scope	Entire District (except fiduciary funds)	The activity of the District that is not proprietary or fiduciary, such as general government, public safety, and education.	Activities the District operates similar to private businesses.	Assets held by the District on behalf of someone else. Students and other organizations that have funds on deposit with the District are reported here.
Required financial statements	Statement of net assets, & statement of activities	Balance sheet, and statement of revenues, expenditures and changes in fund balance.	Statement of net assets, and statement of revenues, expenses and changes in net assets, and statement of cash flows.	Statement of fiduciary net assets, and statement of changes in fiduciary net assets.
Basis of accounting and measurement focus.	Accrual accounting  Economic resources focus	Modified accrual accounting.  Current financial resources focus	Accrual accounting  Economic resources focus	Accrual accounting  Economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included	All assets and liabilities, both financial and capital; short-term and long-term	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received or paid

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a district's financial position. At the close of the most recent fiscal year, the District's assets exceeded liabilities by \$30,645,032.

By far the largest portion of the District's net assets reflects its investment in capital assets (e.g. land, buildings, leasehold improvements, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to school children; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other services, since the capital themselves cannot be used to liquidate these liabilities.

DISTRICT'S NET ASSETS						
Description	Amounts					
	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and other assets . . . . .	\$ 3,324,664	\$ 2,516,665	\$ -	\$ 57,212	\$ 3,324,664	\$ 2,573,877
Capital assets . . . . .	37,725,617	38,691,504	-	-	37,725,617	38,691,504
Total assets . . . . .	41,050,281	41,208,169	-	57,212	41,050,281	41,265,381
Bond anticipation notes . . . . .	57,000	114,000	-	-	57,000	114,000
Other current liabilities . . . . .	860,230	801,181	-	61	860,230	801,242
Long-term liabilities . . . . .	9,488,019	9,111,244	-	-	9,488,019	9,111,244
Total liabilities . . . . .	10,405,249	10,026,425	-	61	10,405,249	10,026,486
Net assets:						
Invested in capital assets, net of related debt . .	29,767,301	30,306,808	-	-	29,767,301	30,306,808
Restricted . . . . .	1,408,283	1,109,340	-	-	1,408,283	1,109,340
Unrestricted . . . . .	(530,552)	(234,404)	-	57,151	(530,552)	(177,253)
Total net assets . . . . .	\$ 30,645,032	\$ 31,181,744	\$ -	\$ 57,151	\$ 30,645,032	\$ 31,238,895

A portion of the District's net assets at June 30, 2010, \$1,408,283, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$(530,552), is further segregated by internal designations as shown below.

Description	Governmental	Proprietary	Totals
	Type	Type	
Designated for subsequent year's budget . . . . .	\$ 718,407	\$ -	\$ 718,407
Undesignated and unreserved . . . . .	(1,248,959)	-	(1,248,959)
Total unrestricted net assets . . . . .	\$ (530,552)	\$ -	\$ (530,552)



**GATEWAY REGIONAL SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
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**Governmental activities.** Governmental activities decreased the District's net assets by \$536,712 and \$899,140 for fiscal years 2010 (Exhibit B) and 2009, respectively. Key elements of these changes are as follows:

DISTRICT'S CHANGES IN NET ASSETS		
Description	Amount	
	2010	2009
Revenues:		
Program revenues:		
Charges for services . . . . .	\$ 387,238	\$ 326,274
Member town assessments . . . . .	1,849,081	1,353,354
Investment income . . . . .	277	141
Other . . . . .	93,675	49,484
Operating grants and contributions . . . . .	5,314,232	6,289,971
General revenues:		
Assessments to member towns . . . . .	8,117,995	8,668,741
Grants and contributions not restricted to specific programs . . . . .	5,866,604	5,356,783
Miscellaneous . . . . .	39,750	53,787
Investment income . . . . .	35,711	44,369
Total revenues . . . . .	21,704,563	22,142,904
Expenses:		
Administration . . . . .	749,809	926,049
Instruction . . . . .	10,056,692	10,520,523
Ancillary school services . . . . .	1,055,774	1,125,161
Transportation . . . . .	1,528,777	1,539,006
Maintenance and operations . . . . .	1,489,432	1,530,297
Insurance and employee benefits . . . . .	4,985,325	4,866,757
Programs with other schools . . . . .	1,086,275	1,177,851
Capital improvements . . . . .	12,490	7,363
Unallocated depreciation . . . . .	933,980	983,256
Debt service . . . . .	342,721	365,781
Total expenses . . . . .	22,241,275	23,042,044
Change in net assets . . . . .	\$ (536,712)	\$ (899,140)

- Revenues related to member town assessments decreased by \$55,919 or 0.55%.
- Revenues related to operating grants and contributions decreased by \$465,918 or 4.00%.

**Business-type activities.** Business-type activities decreased the District's net assets by \$57,151 as the laptop 1 to 1 program came to an end in fiscal 2010.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2010

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**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,053,270 (Exhibit C), an increase in the balance of \$826,960 in comparison with the prior year (Exhibit D). A summary of the components comprising these balances is described below.

Description	2010	2009
Reserved for designated expenditures . . . . .	\$ 1,340,565	\$ 844,855
Reserved to reduce subsequent years' assessments . . . . .	718,407	496,084
Reserved to segregate assets associated for food services inventory . . . . .	8,847	5,446
Reserved to pay debt service . . . . .	12,116	13,118
Unreserved - available for spending at the government's discretion . . . . .	973,335	866,807
Total fund balances . . . . .	<u>\$ 3,053,270</u>	<u>\$ 2,226,310</u>

The general fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance was \$1,691,742 (Exhibit C) of which \$972,335 was the unreserved fund balance. As a measure of the general fund liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total general fund expenditures and transfers for the current year. Unreserved fund balance represents 5.99% of total general fund expenditures and transfers, while total fund balance represents 10.40% of that same amount. These results are somewhat higher with the 5.20% and 7.31% associated with the prior fiscal year.

The fund balance of the District's general fund increased by \$471,700 during the current fiscal year (Exhibits D). Key factors in this change are (Exhibit E):

- Use of \$353,235 of beginning fund balance to finance current year's operations.
- Current expenditures for instruction, insurance, transportation and the like were \$853,436 less than budgeted.
- State aid transportation revenues were \$111,120 more than budgeted.

State payments on-behalf of the teacher retirement program totaling \$2,385,925 and \$2,322,864 for fiscal 2010 and 2009 were made directly by the Massachusetts Teachers Retirement System for the benefit of District teachers (Exhibit D).

**GATEWAY REGIONAL SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2010

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's original fiscal 2010 budget of \$17,115,511 did not change during the year; however, there were some minor changes reclassifying amounts between individual line items (Exhibit E).

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The District's investment in capital assets as of the end of the current fiscal year amounts to \$37,595,617 (net of accumulated depreciation). This investment in capital assets includes buildings, leasehold improvements, machinery and equipment, vehicles, furniture and fixtures, land, and computer equipment.

The major capital asset event during the current fiscal year was \$1,072,207 of depreciation expense. A summary of District capital assets at June 30, 2010 and June 30, 2009 is presented below.

DISTRICT'S CAPITAL ASSETS (net of depreciation)		
Description	Amount	
	2010	2009
Buildings . . . . .	\$ 30,552,794	\$ 31,327,633
Leasehold improvements . . . . .	6,922,628	7,081,769
Computers . . . . .	108,697	179,853
Machinery and equipment . . . . .	92,549	44,863
Furniture and fixtures . . . . .	8,484	26,109
Land . . . . .	17,250	17,250
Vehicles . . . . .	23,215	14,027
Total capital assets . . . . .	<u>\$ 37,725,617</u>	<u>\$ 38,691,504</u>

Additional information on the District's capital assets can be found in Exhibit J - Note 4 of this report.

**Short-term debt.** At the end of fiscal year 2010 and 2009, the District had total bond anticipation notes outstanding of \$57,000 and \$114,000, respectively; all of which is debt backed by the full faith and credit of the District and its member towns. The District's total short-term obligation is comprised of bond anticipation notes to finance school roof repairs.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
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**Long-term debt.** At the end of fiscal year 2010 and 2009, the District's governmental activities had long-term obligations outstanding of \$10,013,426 and \$9,606,944, respectively; comprised of the following components.

DISTRICT'S OUTSTANDING LONG-TERM OBLIGATION		
Description	Amount	
	2010	2009
Bonds payable. . . . .	\$ 7,815,000	\$ 8,255,000
Other post-employment obligations . . .	1,638,093	840,327
Notes payable. . . . .	-	2,800
Compensated absences . . . . .	463,772	474,238
Capital lease obligations. . . . .	86,316	15,696
Early retirement liability . . . . .	-	7,955
Unamortized bond premium . . . . .	10,245	10,928
Total outstanding debt . . . . .	<u>\$ 10,013,426</u>	<u>\$ 9,606,944</u>

The District's business-type activities paid off \$61 of its capital lease obligations during the fiscal year lowering its balance from \$61 at the beginning of the year to \$0 at year-end.

The District maintains a "BBB+" rating from Standard & Poor's on its general obligation debt. Additional information on the District's long-term and short-term debt can be found in Exhibit J - Note 4 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Gateway Regional School District is dependent on the State of Massachusetts as well as seven member towns for the funding of the budget. Five of the seven towns must approve the school budget on an annual basis. The Gateway District is located in the Berkshires and is part of both Hamden and Hampshire County. There is little industry within the district, with the school district being the largest employer. Primary business within the district includes small general stores, self-employed contractors, restaurants, and health centers.

- The Gateway Regional School District had a decrease of Chapter 70 of approximately 2.0% providing \$119,727 less in state revenues.
- Financial implications affecting the FY '10 budget were the following:
  - \$353,235 was used from E & D to offset the budget.
- At the end of the FY '09 fiscal year, unreserved balance for the general fund was \$858,789 or 5% of FY '10's budgeted general fund expenditures of \$17,115,511.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
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These factors were considered in preparing the District's budget for the 2011 fiscal year.

- State chapter 70 funds for the District were reduced by six percent (\$342,266) to \$5,523,878.
- Regional transportation reimbursement is expected to be funded at a total amount of \$556,579 (50%).
- The total FY '11 budget is approximately 4.7% (\$810,166) lower than FY '10 reflecting a decrease of \$207,346 (-2.08%) in total assessment to the towns.
- The District's share of the building project (\$9,767,000) is permanently bonded and those costs will be reflected in the Non-Discretionary budget to the towns.
- The minimum contributions component of town assessments established by the Commonwealth of Massachusetts are expected to increase by approximately 1.8% providing an additional \$104,074 of assessment revenues.
- The District's proposed FY 2011 operating budget is requesting \$1,950,712 of town assessments above the minimum contribution amounts established by the Commonwealth.
- The District will be using \$718,407 out of excess and deficiency to reduce town assessments.
- District has closed three elementary schools (Blandford, Russell, and R.H. Conwell) due to declining enrollment. Due to these closings the District will have a Massachusetts School Building Authority (MSBA) payback amount of \$327,655 per year for fourteen years starting in FY '11. The closings will also impair approximately \$6,922,000 of net fixed assets currently reported as leasehold improvements associated with these buildings.
- The District will receive \$29,655 in State Fiscal Stabilization Funds to offset some of the Chapter 70 loss.

**REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Manager, Gateway Regional School District, 12 Littleville Road, Huntington, MA 01050.

**EXHIBIT A****GATEWAY REGIONAL SCHOOL DISTRICT**

## GOVERNMENT-WIDE

## STATEMENT OF NET ASSETS

JUNE 30, 2010

	Govern- mental Activities
<b>Assets:</b>	
Pooled cash . . . . .	3,199,526
Due from other governments . . . . .	116,291
Inventory . . . . .	8,847
Capital assets - net of accumulated depreciation . . . . .	37,725,617
<b>Total assets . . . . .</b>	<b>41,050,281</b>
<b>Liabilities:</b>	
Current unamortized premium from bond issuance . . . . .	683
Current portion of bonds payable . . . . .	450,000
Current portion of capital lease obligations . . . . .	38,952
Current portion of compensated absences . . . . .	35,772
Accrued interest payable . . . . .	156,201
Accounts payable . . . . .	10,865
Due to other governments . . . . .	207
Accrued payroll . . . . .	12,056
Payroll withholdings . . . . .	155,494
Bond anticipation notes . . . . .	57,000
Other post-employment benefit obligation . . . . .	1,638,093
Noncurrent unamortized premium from bond issuance . . . . .	9,562
Noncurrent portion of bonds payable . . . . .	7,365,000
Noncurrent portion of capital lease obligations . . . . .	47,364
Noncurrent portion of compensated absences . . . . .	428,000
<b>Total liabilities . . . . .</b>	<b>10,405,249</b>
<b>Net assets:</b>	
Invested in capital assets, net of related debt . . . . .	29,767,301
Restricted . . . . .	1,408,283
Unrestricted . . . . .	(530,552)
<b>Total net assets . . . . .</b>	<b>30,645,032</b>

See accompanying notes to the basic financial statements.

## GATEWAY REGIONAL SCHOOL DISTRICT

## GOVERNMENT-WIDE

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses for all Functions and Programs	Program Revenues					Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Member Town Assessments	Investment Income	Other	Operating Grants and Contributions	Govern- mental Activities	Business- Type Activities	Totals
Governmental activities:									
Administration . . . . .	749,809	-	-	-	-	-	(749,809)	-	(749,809)
Instruction . . . . .	10,056,692	5,937	-	-	29,206	2,040,182	(7,981,367)	-	(7,981,367)
Ancillary school services . . . . .	1,055,774	360,337	-	277	39,232	223,911	(432,017)	-	(432,017)
Transportation . . . . .	1,528,777	-	1,066,360	-	-	664,214	201,797	-	201,797
Maintenance and operations . . . . .	1,489,432	20,964	-	-	25,237	-	(1,443,231)	-	(1,443,231)
Insurance and employee benefits . . . . .	4,985,325	-	-	-	-	2,385,925	(2,599,400)	-	(2,599,400)
Programs with other schools . . . . .	1,086,275	-	-	-	-	-	(1,086,275)	-	(1,086,275)
Capital improvements . . . . .	12,490	-	-	-	-	-	(12,490)	-	(12,490)
Unallocated depreciation (*) . . . . .	933,980	-	-	-	-	-	(933,980)	-	(933,980)
Principal associated with renovation bonds . . . . .	-	-	440,000	-	-	-	440,000	-	440,000
Interest associated with renovation bonds . . . . .	342,721	-	342,721	-	-	-	-	-	-
Total governmental activities . . . . .	22,241,275	387,238	1,849,081	277	93,675	5,314,232	(14,596,772)	-	(14,596,772)
Business-type activity - laptop program . . . . .	57,151	-	-	-	-	-	-	(57,151)	(57,151)
Totals . . . . .	22,298,426	387,238	1,849,081	277	93,675	5,314,232	(14,596,772)	(57,151)	(14,653,923)
General revenues:									
Assessments to member towns . . . . .							8,117,995	-	8,117,995
State and federal aid not restricted to specific purposes . . . . .							5,866,604	-	5,866,604
Miscellaneous . . . . .							39,750	-	39,750
Investment income . . . . .							35,711	-	35,711
Total general revenues . . . . .							14,060,060	-	14,060,060
Changes in net assets . . . . .							(536,712)	(57,151)	(593,863)
Net assets - beginning of the year . . . . .							31,181,744	57,151	31,238,895
Net assets - end of the year . . . . .							30,645,032	-	30,645,032

(\*) - This line item excludes depreciation expensed directly to various programs totaling \$138,227. (\$933,980 + \$138,227 = \$1,072,207 total depreciation expense)

See accompanying notes to the basic financial statements.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2010**

	General Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
<b>Assets</b>			
Pooled cash .....	1,905,929	1,293,597	3,199,526
Due from other governments .....	-	116,291	116,291
Inventory .....	-	8,847	8,847
Total assets .....	<u>1,905,929</u>	<u>1,418,735</u>	<u>3,324,664</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities:</b>			
Accounts payable .....	10,865	-	10,865
Due to other governments .....	-	207	207
Payroll withholdings .....	155,494	-	155,494
Accrued payroll .....	12,056	-	12,056
Compensated absences .....	35,772	-	35,772
Bond anticipation notes .....	-	57,000	57,000
Total liabilities .....	<u>214,187</u>	<u>57,207</u>	<u>271,394</u>
<b>Fund balances:</b>			
Reserved for inventory .....	-	8,847	8,847
Reserved for debt service .....	-	12,116	12,116
Reserved for designated expenditures .....	-	1,340,565	1,340,565
Reserved to reduce subsequent years' assessments .....	718,407	-	718,407
Unreserved - available for appropriation .....	973,335	-	973,335
Total fund balances .....	<u>1,691,742</u>	<u>1,361,528</u>	<u>3,053,270</u>
Total liabilities and fund balances .....	<u>1,905,929</u>	<u>1,418,735</u>	
<b>Reconciliation to government-wide statement of net assets:</b>			
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds statement:			
Gross capital assets .....	51,366,557		
Less: Accumulated depreciation .....	(13,640,940)		
Subtotal .....			37,725,617
Long-term liabilities, including early retirement, capital lease obligations and compensated absences, are not due and payable in the current period and therefore are not reported in the governmental funds statement:			
Bonds payable .....	(7,815,000)		
Other post-employment benefits obligation .....	(1,638,093)		
Premiums from the issuance of bonds .....	(10,245)		
Compensated absences .....	(428,000)		
Capital lease obligations .....	(86,316)		
Subtotal .....			(9,977,654)
Accrued interest payable is not due in the current period and therefore is not reported in the governmental funds statements .....			
			(156,201)
Net assets (Exhibit A) .....			<u>30,645,032</u>

See accompanying notes to the basic financial statements.



**GATEWAY REGIONAL SCHOOL**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund	State Payments On-behalf of Teacher Retirement Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
<b>Revenues:</b>				
Town assessments .....	9,967,076	-	-	9,967,076
Intergovernmental .....	6,671,264	2,385,925	2,123,647	11,180,836
Investment income .....	35,028	-	277	35,305
Fees and charges for services .....	-	-	387,238	387,238
Other revenues .....	39,750	-	93,675	133,425
<b>Total revenues .....</b>	<b>16,713,118</b>	<b>2,385,925</b>	<b>2,604,837</b>	<b>21,703,880</b>
<b>Other financing sources:</b>				
Transfers from the general fund .....	-	-	57,000	57,000
Proceeds from capital lease obligations .....	-	-	106,320	106,320
Transfers from debt service fund .....	1,002	-	-	1,002
Transfers from other nonmajor funds .....	17,500	-	-	17,500
<b>Total other financing sources .....</b>	<b>18,502</b>	<b>-</b>	<b>163,320</b>	<b>181,822</b>
<b>Total revenues and other financing sources .....</b>	<b>16,731,620</b>	<b>2,385,925</b>	<b>2,768,157</b>	<b>21,885,702</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration .....	675,964	-	-	675,964
Instruction .....	7,603,927	-	1,817,556	9,421,483
Ancillary school services .....	522,297	-	470,519	992,816
Transportation .....	1,528,777	-	-	1,528,777
Maintenance and operations .....	1,380,906	-	-	1,380,906
Insurance and employee benefits .....	2,599,400	2,385,925	-	4,985,325
Programs with other schools .....	1,086,275	-	-	1,086,275
Capital improvements .....	12,490	-	106,320	118,810
<b>Debt Service:</b>				
Principal payments associated with bonds .....	440,000	-	-	440,000
Interest associated with long-term debt .....	350,110	-	-	350,110
Interest associated with bond anticipation notes .....	2,774	-	-	2,774
<b>Total expenditures .....</b>	<b>16,202,920</b>	<b>2,385,925</b>	<b>2,394,395</b>	<b>20,983,240</b>
<b>Other financing uses:</b>				
Transfers to the general fund .....	-	-	18,502	18,502
Transfers to nonmajor school roof fund .....	57,000	-	-	57,000
<b>Total other financing uses .....</b>	<b>57,000</b>	<b>-</b>	<b>18,502</b>	<b>75,502</b>
<b>Total expenditures and other financing uses .....</b>	<b>16,259,920</b>	<b>2,385,925</b>	<b>2,412,897</b>	<b>21,058,742</b>
<b>Net changes in fund balances .....</b>	<b>471,700</b>	<b>-</b>	<b>355,260</b>	<b>826,960</b>
<b>Fund balance - beginning of the year .....</b>	<b>1,220,042</b>	<b>-</b>	<b>1,006,268</b>	
<b>Fund balance - end of the year .....</b>	<b>1,691,742</b>	<b>-</b>	<b>1,361,528</b>	
<b>Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities (See footnote 2 for additional information):</b>				
Capital outlays net of depreciation expense .....				(965,887)
Net change in certain accrued liabilities .....				(398,468)
Capital lease obligation proceeds and amortization of bond premiums .....				683
<b>Change in net assets of the government-wide statement of activities (Exhibit B) .....</b>				<b>(536,712)</b>

See accompanying notes to the basic financial statements.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE, BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Revised Budget	Actual	Over/ (Under) Budget
<b>Revenues - budgetary basis:</b>				
Town assessments:				
Blandford .....	1,491,424	1,491,023	1,491,023	-
Chester .....	1,508,522	1,508,019	1,508,019	-
Huntington .....	2,276,806	2,276,064	2,276,064	-
Middlefield .....	553,287	553,127	553,127	-
Montgomery .....	971,423	971,168	971,168	-
Russell .....	1,738,989	1,738,359	1,738,359	-
Worthington .....	1,429,638	1,429,316	1,429,316	-
Total town assessments .....	9,970,089	9,967,076	9,967,076	-
Commonwealth of Massachusetts - state aid:				
Chapter 70 .....	5,866,604	5,866,604	5,866,604	-
Transportation .....	553,094	553,094	664,214	111,120
Medicaid .....	100,000	100,000	140,446	40,446
Total Commonwealth of Massachusetts - state aid .....	6,519,698	6,519,698	6,671,264	151,566
Miscellaneous:				
Investment income .....	45,000	45,000	35,028	(9,972)
Other .....	-	-	39,750	39,750
Total miscellaneous .....	45,000	45,000	74,778	29,778
Total revenues .....	16,534,787	16,531,774	16,713,118	181,344
<b>Other financing sources:</b>				
Transfers from beginning fund balance .....	350,222	353,235	353,235	-
Transfers from maturing debt revolving fund .....	1,002	1,002	1,002	-
Transfers from school choice revolving fund .....	200,000	200,000	-	(200,000)
Transfers from head start revolving fund .....	17,500	17,500	17,500	-
Transfers from parking fees revolving fund .....	12,000	12,000	-	(12,000)
Total other financing sources .....	580,724	583,737	371,737	(212,000)
Total revenues and other financing sources - budgetary basis .....	17,115,511	17,115,511	17,084,855	(30,656)
<b>Expenditures - budgetary basis:</b>				
Current:				
Administration .....	685,705	685,705	675,964	(9,741)
Instruction .....	7,765,692	7,765,692	7,603,927	(161,765)
Ancillary school services .....	521,337	524,075	522,297	(1,778)
Transportation .....	1,619,454	1,616,716	1,528,777	(87,939)
Operations and maintenance .....	1,629,770	1,629,770	1,380,906	(248,864)
Fixed charges .....	2,777,899	2,777,899	2,599,400	(178,499)
Programs with other schools .....	1,251,125	1,251,125	1,086,275	(164,850)
Total current .....	16,250,982	16,250,982	15,397,546	(853,436)
Capital improvements .....	14,645	14,645	12,490	(2,155)
Debt service:				
Principal - construction and renovation obligations .....	440,000	440,000	440,000	-
Interest - construction and renovation obligations .....	350,110	350,110	350,110	-
Interest - bond anticipation notes .....	2,774	2,774	2,774	-
Total debt service .....	792,884	792,884	792,884	-
Total expenditures - budgetary basis .....	17,058,511	17,058,511	16,202,920	(855,591)
Other financing uses - transfers to roof repair fund .....	57,000	57,000	57,000	-
Total expenditures and other financing uses- budgetary basis .....	17,115,511	17,115,511	16,259,920	(855,591)
Net changes in fund balance .....	-	-	824,935	824,935

## Reconciliation of GAAP basis to budgetary basis:

Description	(See Exhibit D) Transfers From		
	GAAP Basis	Beginning Fund Balance	Budgetary Basis
Revenues and other financing sources .....	16,731,620	353,235	17,084,855
Expenditures and other financing uses .....	16,259,920	-	16,259,920
Net changes in fund balance .....	471,700	353,235	824,935

See accompanying notes to the basic financial statements.

**EXHIBIT F****GATEWAY REGIONAL SCHOOL DISTRICT**

## BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

JUNE 30, 2010

	Laptop Program
Operating expenses - charges by ancillary suppliers . . . . .	57,151
Total net assets - beginning of the year . . . . .	57,151
Total net assets - end of the year . . . . .	-

See accompanying notes to the basic financial statements.

**EXHIBIT G****GATEWAY REGIONAL SCHOOL DISTRICT**

## BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND

## STATEMENT OF CASH FLOWS

JUNE 30, 2010

	Laptop Program
Cash flows from operating activities:	
Cash received from users . . . . .	2,800
Cash paid to suppliers . . . . .	57,151
Net cash provided from operating activities . . . . .	(54,351)
Cash flows from capital and related financing activities:	
Principal paid on capital lease obligations . . . . .	(61)
Net decrease in pooled cash . . . . .	(54,412)
Pooled cash - beginning of the year . . . . .	54,412
Pooled cash - end of the year . . . . .	-
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss . . . . .	(57,151)
Reconciling adjustments - decrease in notes receivable . . . . .	2,800
Net cash provided by operating activities . . . . .	(54,351)

See accompanying notes to the basic financial statements.

**EXHIBIT H**

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2010**

	Private- Purpose Trust Expendable Scholarship Funds	Agency Student Activities Funds	Totals
<b>Assets</b>			
Pooled cash. ....	14,452	33,461	47,913
<b>Liabilities</b>			
Due to students .....	-	33,461	33,461
Accounts payable .....	14,455	-	14,455
Total liabilities .....	14,455	33,461	47,916
Net assets - held in trust for scholarships .....	(3)	-	(3)

See accompanying notes to the basic financial statements.

**EXHIBIT I**

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Private- Purpose Trust Expendable Scholarship Funds
<b>Additions:</b>	
Donations .....	12,404
Interest .....	126
Total additions .....	12,530
Deductions - scholarships .....	13,055
Change in net assets .....	(525)
Net assets - beginning of the year .....	522
Net assets - end of the year .....	(3)

See accompanying notes to the basic financial statements.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. Reporting entity**

The Gateway Regional School District (the District) is comprised of the Towns of Blandford, Chester, Huntington, Middlefield, Montgomery, Russell, and Worthington. The District operates under a regional agreement established in 1957, and serves the educational needs of students in grades PreK through 12.

The form of government is an elected seventeen-member school committee, which is responsible for appointing a Superintendent who is the chief operating official for the District.

The District presently operates six school buildings, three of which are owned by the individual Towns and leased, at \$1 each, to the District which pays all operating costs. These three schools are located in the Towns of Blandford, Russell, and Worthington. The District owns the two elementary schools in Chester and Huntington, as well as the middle/high school, which is located in the Town of Huntington. The District is responsible for both the operating and capital costs related to the schools it owns.

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

As required by generally accepted accounting principles, these financial statements present the District and its component units, entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit (if any), on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the District. Any blended or discretely presented component unit present has a June 30 year-end. Based upon the foregoing criteria, the District has no component units that would require either blended or discrete presentation in these basic financial statements.

**B. Basis of presentation****Government-wide financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by assessments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of presentation (continued)**

Government-wide financial statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Assessments and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund financial statements

Fund financial statements of the District are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures.

Funds are organized as major fund or non-major funds within the governmental statements because emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, etc.) for all funds of that category or type (that is, total governmental or total enterprise funds), and
- b. The same element that met the 10 percent total in (a), is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

In addition, any other governmental or enterprise fund that the District believes is particularly important to financial statement users may be reported as a major fund.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of presentation (continued)**

Governmental activities

Governmental funds are identified as either general, special revenue, debt service, or capital projects funds based upon the following guidelines.

General fund – is the general operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds – are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt service funds – are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital project funds – are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Business-type activities

Business-type activities are comprised of proprietary-type enterprise funds or internal service funds. The District has a laptop program enterprise fund in which laptops are obtained from vendors via capital lease obligations and sold to students via notes receivable. The fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Fiduciary funds (not included in government-wide statements)

Fiduciary funds are identified as either private-purpose trust funds or agency funds based upon the following guidelines.

Private-purpose trust funds – are used to account for resources legally held in trust for scholarship payments.

Agency funds – are used to account for assets held by the District as an agent for individuals, private organizations, and/or other governmental units.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of presentation (continued)**

Major Funds

The District reports the following as major funds.

- General fund
- State payments on-behalf of teacher retirement fund
- Enterprise fund – laptop program

Nonmajor funds

The District reports the following nonmajor funds.

Special revenue funds:

    All revolving funds

    All federal, state, and other grant funds

Capital project funds:

    Capital lease fund

    School buildings construction and renovation fund

Debt service fund

Fiduciary funds

The District reports the following fiduciary funds.

Private-purpose trust funds:

    Scholarship trust funds

Agency funds:

    Student activities funds



**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of accounting**

Government-wide financial statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred or an economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided including specific member town assessments, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues not classified as program revenues (e.g. general member town assessments) are presented as general revenues.

When both restricted and unrestricted resources are available for use, except in the case of debt service, it is the District's policy to generally use restricted resources first, then unrestricted resources as they are needed.

Fund financial statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The annual assessments to the District's member towns for operating and capital costs, state aid to the District attributable to the general fund and various inter-governmental revenues attributable to the special revenue or capital project funds, and interest income as earned, comprise the significant revenues susceptible to accrual. Charges for tuition, contributions, gifts, and other miscellaneous revenues are recorded as revenues when received because they are generally not measurable until actually received.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of accounting (continued)**

Fund financial statements (continued)

State, general and categorical grants and other entitlements are recognized as revenue in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are also recorded as deferred revenue.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Under generally accepted accounting principles, encumbrances outstanding at year end lapse and are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

The fiduciary fund financial statements and the proprietary-type enterprise fund use the accrual method of accounting.

Operating income reported in the proprietary-type fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary-type funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative and depreciation of capital assets expenses (if any). Other revenues and expenses are classified as non-operating in the financial statements.

**D. Measurement focus**

The government-wide financial statements governmental activities and business-type activities, and the fiduciary fund statement activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions, which will not be currently liquidated using expendable available financial resources, are included as liabilities in the government-wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, liabilities, and net assets or equity**

**1. Deposits**

Generally, the District's Treasurer is authorized to invest in the following investments: term deposits or certificates of deposit, trust companies, national banks, savings banks or banking companies, or obligations issued or unconditionally guaranteed by the United States government or an agency thereof and having a maturity from date of purchase of one year or less, with certain other limitations.

**2. Receivables and payables**

Receivables from other governments (i.e., the Commonwealth of Massachusetts and its political subdivisions) are reported as "due from other governments".

**3. Inventories and prepaid assets**

Inventories, if any, are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors, if any, that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

**4. Capital assets**

Government-wide financial statements

Capital assets, which include construction in progress, buildings, machinery and equipment, computers, and vehicles, are reported in the applicable governmental or business type activities, if any, columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Significant donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements, for which the District has title are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities (if any) is included as part of the capitalized value of the assets constructed.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, liabilities, and net assets or equity (continued)**

**4. Capital assets (continued)**

Government-wide financial statements (continued)

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings . . . . .	50
Leasehold improvements . . . .	50
Machinery and equipment . . . .	5 - 15
Furniture and fixtures . . . . .	5 - 15
Vehicles . . . . .	5
Computer equipment . . . . .	3 - 5

Fund financial statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the government fund financial statements. However, fixed assets are capitalized and related depreciation is reported in the proprietary-type fund financial statements if these items are considered material.

**5. Long-term obligations**

In the government-wide and proprietary-type financial statements long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. Compensated absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirement.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, liabilities, and net assets or equity (continued)**

**7. Fund equity**

Government-wide financial statements

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt.

Restricted net assets – consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund financial statements

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Any designations of fund balance represent tentative management plans that are subject to change.

Descriptions of the various reservations and designations of the District's fund balance accounts, as are follows.

Reserved for inventory - to segregate the portion of fund balance associated with the inventory in the special revenue funds.

Reserved for debt service - to segregate a portion of fund balance representing net assets to finance the retirement of debt in future years. The \$12,116 fund balance at year-end was generated from premiums associated with the issuance of bond anticipation notes for the school renovation projects.

Reserved for designated expenditures - to segregate a portion of fund balance representing net assets that has been authorized for specific projects.

Reserved to reduce subsequent years' assessments - to segregate a portion of fund balance designated to reduce assessments to member towns in future fiscal years.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, liabilities, and net assets or equity (continued)**

**8. Economic dependency and use of estimates**

The District provides education to the children of the Towns of Blandford, Chester, Huntington, Middlefield, Montgomery, Russell, and Worthington. It receives a substantial portion of its revenues from these towns, as well as from the Commonwealth of Massachusetts, and as such, is dependent on the economic environment of these towns and the Commonwealth.

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Specifically regarding compensated absences, the OPEB obligation, and useful lives of fixed assets. Actual results may differ from those estimates.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**2. RECONCILIATION OF GOVERNMENT-WIDE AND GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**A. Explanation of differences between the net changes in fund balances for governmental funds (Exhibit D) and the change in net assets of the government-wide statement of activities (Exhibit B)**

The reconciliation between net changes in fund balances reported in the governmental funds statement of revenues, expenditures, and changes in fund balances (Exhibit D) and the change in net assets of the government-wide statement of activities (Exhibit B) is explained below.

Net changes in fund balances - total governmental funds (Exhibit D) . . . . . \$ 826,960

Amounts reported for governmental activities in the government-wide statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. The components of this reconciling item are:

Additions to fixed assets . . . . .	106,320	
Depreciation expense . . . . .	<u>(1,072,207)</u>	
Totals . . . . .		(965,887)

Changes in the balance of accrued liabilities from the beginning to the end of the year in the government-wide financial statements that do not affect expenditures in the governmental funds financial statements. The components of this reconciling item are:

Payment of principal associated with outstanding bonds payable . . . . .	440,000	
Increase in other post-employment benefit obligation . . . . .	(797,766)	
Proceeds from the issuance of capital lease obligations . . . . .	(106,320)	
Decrease in compensated absence accrual . . . . .	9,000	
Decrease in early retirement obligations accrual . . . . .	7,955	
Payment of capital lease obligations . . . . .	38,500	
Decrease in interest payable accrual . . . . .	<u>10,163</u>	
Totals . . . . .		(398,468)

The issuance of bonds provides current financial resources to governmental funds, but has no effect on net assets. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The components of this reconciling item are:

Amortization of premiums associated with the issuance of bonds . . . . .	<u>683</u>	
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Change in net assets of the government-side statement of activities (Exhibit B) . . . . . \$ (536,712)

**GATEWAY REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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**3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY****A. Budgetary information**

The annual budget for the general fund is adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. Capital project and certain special revenue funds adopt project-length and grant-length budgets, respectively.

The School Committee authorizes capital project funds' expenditures. Capital appropriations do not lapse until the purpose for which they are designated is completed. Expenditures in excess of adopted budgets can be made only upon the authority of a supplemental appropriation or an approved budgetary transfer.

The District follows these procedures, in establishing the budgetary data for the general fund.

- A proposed annual budget, including capital costs, is prepared by the Superintendent for adoption by the School Committee. The annual budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted in the District to obtain taxpayer comments from the member towns.
- In accordance with the District Agreement, the School Committee adopts a final budget no later than 45 days prior to the earliest scheduled town meeting, but no later than March 15.
- The final budget, divided between operating costs and capital costs, is then apportioned among the member towns based upon state mandated minimum contribution requirements and various student enrollment data. The apportioned amount for each member town must be certified by the District's Treasurer to each of the Treasurers of the member towns within 30 days from the date on which the annual budget was adopted by the School Committee.
- Each member town includes its share of the regional school assessment with all other proposed appropriations for town meeting approval.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the total annual budget.

Assessments are levied annually against the seven member towns of the District for the fiscal year beginning July 1, and are due and payable in four installments by August 1, November 1, February 1, and April 1 for 20%, 30%, 20% and 30%, respectively.

Capital costs, as defined in the District's Regional Agreement, generally relate to costs incurred to construct or improve school plant operations. If debt was incurred to pay for these costs, capital costs will include payment for principal and interest on such debt. Debt and capital costs are assessed to member towns based on their student enrollment as of March 1<sup>st</sup> of the preceding fiscal year.



**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

**A. Budgetary information (continued)**

Operating costs include all other expenses not listed as capital costs, as well as interest on temporary notes issued by the District in anticipation of revenue. Current year's operating costs are apportioned to member towns on the basis of their student enrollment as of March 1<sup>st</sup> of the preceding fiscal year, in conjunction with the minimum contribution requirement dictated by the Education Reform Act.

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary process.

Encumbrances outstanding at year-end represent the estimated amount of expenditures ultimately to result if outstanding purchase orders at year-end are filled and if contracts in progress at year-end are completed. For GAAP purposes, encumbrances outstanding at year-end do not constitute expenditures or liabilities and, therefore, are presented in the combined financial statements as a component of fund equity - reserved for encumbrances. As of June 30, 2010 the general fund had no outstanding encumbrances.

**B. Excess of expenditures over appropriations**

During the current fiscal year, the District's total general fund expenditures did not exceed appropriations.

**C. Deficit fund equity**

As of June 30, 2010, the School Roof Repair Fund (a nonmajor governmental fund) had a deficit balance of \$57,000. This deficit fund balance results from the accounting convention of recognizing revenue associated with debt only upon the issuance of permanent financing. As of June 30, 2010, bond anticipation notes (temporary debt) of \$57,000 have been issued to finance the roof repair project. This deficit should be eliminated in subsequent years with financing from the general fund.

At June 30, 2010 the Carmel Scholarship Trust Fund has a deficit balance of \$3. In fiscal 2010 the awarded scholarships were slightly greater than the available assets in the District's trust account causing this \$3 deficit at year-end. The District plans to adjust the scholarships awarded from income received in fiscal 2011 to eliminate this deficit.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

#### 4. DETAILED NOTES ON ALL FUNDS

##### A. Pooled cash and bank deposits

The District has a central treasury function controlled by the District's Treasurer. Therefore, there is one "pool" of cash, composed of various bank accounts (rather than separate cash accounts for each fund). Each fund reports the amount due from or to the central treasury as "pooled cash".

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District has no formal policy to limit custodial risk.

The amount of bank deposits reported as "pooled cash" is summarized below.

	Exhibit C Governmental Funds	Exhibit H Fiduciary Funds	Totals
Insured (FDIC) .....	\$ 200,041	\$ 49,959	\$ 250,000
Collateralized by securites but not in the District's name .....	2,029,179	-	2,029,179
Investments with Massachusetts Municipal Depository Trust ...	1,577,238	-	1,577,238
Total deposits and cash equivalents in institutions .....	3,806,458	49,959	3,856,417
Various reconciling items .....	(606,932)	(2,046)	(608,978)
Total cash .....	<u>\$ 3,199,526</u>	<u>\$ 47,913</u>	<u>\$ 3,247,439</u>

##### B. Receivables

Receivables as of year-end are reported in the District's financial statements as follows.

Description	Exhibit C Other Nonmajor Governmental Funds	Exhibit A Government Wide Financial Statements
Intergovernmental receivables:		
Circuit breaker - state department of education .....	\$ 61,473	\$ 61,473
Teaching American history - federal department of education .....	37,201	37,201
Food services fund - state department of education .....	13,176	13,176
Title IIB - state department of education .....	4,441	4,441
Total - intergovernmental receivables. ....	<u>\$ 116,291</u>	<u>\$ 116,291</u>

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**4. DETAILED NOTES ON ALL FUNDS (continued)**

**C. Capital Assets**

Asset recognition

The District's capital asset activity for the year ended June 30, 2010 was as follows.

Description	Beginning Balance	Increase	Ending Balance
Capital assets, not being depreciated:			
Land .....	\$ 17,250	\$ -	\$ 17,250
Capital assets, being depreciated:			
Buildings .....	38,741,947	-	38,741,947
Leasehold improvements .....	7,957,044		7,957,044
Computers .....	2,028,429	-	2,028,429
Machinery and equipment .....	254,883	84,524	339,407
Furniture and fixtures .....	2,178,640	-	2,178,640
Vehicles .....	82,044	21,796	103,840
Total capital assets, being depreciated:	51,242,987	106,320	51,349,307
Total capital assets, gross .....	51,260,237	106,320	51,366,557
Less accumulated depreciation for:			
Buildings .....	(7,414,314)	(774,839)	(8,189,153)
Leasehold improvements .....	(875,275)	(159,141)	(1,034,416)
Computers .....	(1,848,576)	(71,156)	(1,919,732)
Machinery and equipment .....	(210,020)	(36,838)	(246,858)
Furniture and fixtures .....	(2,152,531)	(17,625)	(2,170,156)
Vehicles .....	(68,017)	(12,608)	(80,625)
Total accumulated depreciation .....	(12,568,733)	(1,072,207)	(13,640,940)
Total capital assets, net .....	\$ 38,691,504	\$ (965,887)	\$ 37,725,617

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**4. DETAILED NOTES ON ALL FUNDS (continued)**

**C. Capital Assets (continued)**

Depreciation expense was charged to functions / programs of the District as follows.

Description	Balance
Administration .....	\$ 30,604
Instruction .....	85,183
Ancillary school services .....	2,249
Maintenance and operations .....	20,191
Subtotal .....	138,227
Unallocated .....	933,980
Total depreciation expense .....	<u>\$ 1,072,207</u>

**D. Interfund transfers**

Generally, interfund transfers result from the adoption of the annual budget appropriation to finance specific operations or to reserve assets for specific purposes in future years. The composition of interfund transfers for the fiscal year ended June 30, 2010, is as follow:

Transfers Out Of The:	Transfers In To The:	
	General Fund	Roof Repair Fund
Nonmajor Funds:		
Head start revolving .....	\$ 17,500	\$ -
Debt service .....	1,002	-
Subtotals .....	18,502	-
General fund .....	-	57,000
Totals .....	<u>\$ 18,502</u>	<u>\$ 57,000</u>

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**4. DETAILED NOTES ON ALL FUNDS (continued)**

**E. Short-term debt**

A schedule of changes to bond anticipation notes for the year ended June 30, 2010 is presented below.

	Date Issued	Maturity Date	Interest Rate	Balance June 30 09	Additions	Reductions	Balance Jun 30 10	Interest Expense
Capital Project Funds:								
Roof repair .	07/19/08	07/18/09	2.44%	\$ 114,000	\$ -	\$ 114,000	\$ -	\$ 2,774
Roof repair .	07/17/09	07/16/10	1.50%	-	57,000	-	57,000	-
Totals .....				\$ 114,000	\$ 57,000	\$ 114,000	\$ 57,000	\$ 2,774

**F. Long-term debt**

Changes in long-term liabilities – governmental activities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year	FY 2010 Interest Expense
Bonds payable .....	\$ 8,255,000	\$ -	\$ 440,000	\$ 7,815,000	\$ 450,000	\$ 7,365,000	\$ 350,110
Other post-employment benefits ..	840,327	797,766	-	1,638,093	-	1,638,093	-
Compensated absences .....	474,238	26,772	37,238	463,772	35,772	428,000	-
Capital lease obligations .....	15,696	106,320	35,700	86,316	38,952	47,364	6,224
Notes payable laptop program ....	2,800	-	2,800	-	-	-	-
Early retirement liability .....	7,955	-	7,955	-	-	-	636
Unamortized bond premium .....	10,928	-	683	10,245	683	9,562	-
Total long-term liabilities .....	\$ 9,606,944	\$ 930,858	\$ 524,376	\$ 10,013,426	\$ 525,407	\$ 9,488,019	\$ 356,970

As in prior years, the general operating fund's assets were used in fiscal 2010 to pay current compensated absence, capital lease obligations, and early retirement liabilities.

The District has lease agreements to finance the acquisition of computers & copiers, and lease agreements to finance the purchase of trucks. These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term) and, therefore, have been recorded as liabilities at the present value of the future minimum lease payments. The acquisition cost of the computers & copiers, and the truck, \$381,942 and \$84,445 respectively, have been capitalized as fixed assets and are being depreciated over their useful life.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**4. DETAILED NOTES ON ALL FUNDS (continued)**

**F. Long-term debt (continued)**

Debt service payments – governmental activities

The following is a schedule of long-term debt maturities associated with the bonds payable as of June 30, 2010.

Fiscal Year	Principal	Interest	Total
2011. ....	\$ 450,000	\$ 334,738	\$ 784,738
2012. ....	460,000	319,040	779,040
2013. ....	475,000	301,997	776,997
2014. ....	485,000	283,324	768,324
2015. ....	500,000	258,944	758,944
2016. ....	515,000	233,781	748,781
2017. ....	525,000	207,925	732,925
2018. ....	540,000	181,375	721,375
2019. ....	555,000	158,875	713,875
2020. ....	505,000	137,425	642,425
2021. ....	525,000	117,225	642,225
2022. ....	540,000	96,225	636,225
2023. ....	560,000	73,950	633,950
2024. ....	580,000	50,150	630,150
2025. ....	600,000	25,500	625,500
Total. ....	<u>\$ 7,815,000</u>	<u>\$ 2,780,474</u>	<u>\$ 10,595,474</u>

The following is a schedule of long-term debt maturities associated with capital lease obligations as of June 30, 2010.

Capital Lease Obligations Payable to Vendors			
Fiscal Year	Principal	Interest	Total
2011. ....	\$ 38,952	\$ 4,477	\$ 43,429
2012. ....	36,012	1,969	37,981
2013. ....	4,483	604	5,087
2014. ....	4,783	304	5,087
2015. ....	2,086	34	2,120
Total. ....	<u>\$ 86,316</u>	<u>\$ 7,388</u>	<u>\$ 93,704</u>

The bond premium of \$13,660, incurred in fiscal year 2005 associated with the issuance of \$9,000,000 of bonds, is being amortized on a straight-line basis over a 20 year period ending in fiscal year 2025. The annual amortization is \$683, and the unamortized bond premium at year-end is \$10,245.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**4. DETAILED NOTES ON ALL FUNDS (continued)**

**G. Net assets**

The District has the following net restricted assets reported in its government-wide statement of net assets associated with governmental activities.

Description	Amount
Specific grant or project purposes . . . . .	\$ 1,399,436
Inventory . . . . .	8,847
Total . . . . .	<u>\$ 1,408,283</u>

A reconciliation between restricted net assets in the government-wide statement of net assets (Exhibit A) and the governmental funds balance sheet (Exhibit C) is presented below.

	Exhibit C	Net Assets (Exhibit A)		
	Fund Balances	Invested in capital assets net of related debt	Restricted	Unrestricted
General fund:				
Unreserved-available for appropriation. . . . .	\$ 973,335	\$ -	\$ -	\$ 973,335
Reserved for:				
Reduce subsequent years' assessments . . . . .	718,407	-	-	718,407
Other nonmajor funds:				
Reserved for:				
Inventory. . . . .	8,847	-	8,847	-
Debt service. . . . .	12,116	-	12,116	-
Expenditures. . . . .	1,340,565	-	1,340,565	-
Subtotals . . . . .	3,053,270	-	1,361,528	1,691,742
Adjustments required by GASB #34:				
Capital assets . . . . .	-	37,725,617	-	-
Outstanding bans associated with capital assets . . .	-	(57,000)	57,000	-
Outstanding bonds associated with capital assets . .	-	(7,815,000)	-	-
Outstanding lease obligations associated with capital assets . . . . .	-	(86,316)	-	-
Other post-employment benefits obligation . . . . .	-	-	-	(1,638,093)
Compensated absences . . . . .	-	-	-	(428,000)
Unamortized bond premium . . . . .	-	-	(10,245)	-
Accrued interest . . . . .	-	-	-	(156,201)
Total. . . . .	<u>\$ 3,053,270</u>	<u>\$ 29,767,301</u>	<u>\$ 1,408,283</u>	<u>\$ (530,552)</u>

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**5. OTHER INFORMATION****A. Risk management****Hampshire County Health Group**

The District, along with fifty-five other governmental entities from the neighboring geographic area, is a member of the Hampshire County Health Group ("HCHG"), a public entity risk pool, currently operating as a common risk sharing management and health insurance program for eligible active and former employees of these fifty-six members.

Payment, in the form of insurance premiums, is made monthly to HCHG. These payments are funded in part from the District (recorded as expenditures in the general fund), and payroll withholdings from active employees, or direct payments from retired and certain eligible former employees. The District pays between 70% and 80% of the cost of insurance for active employees. Retired and other past employees who may be eligible to participate in the plan must pay 50% of their premium cost.

The District makes payments to HCHG in the form of monthly premiums based upon actual employee enrollment. HCHG makes payment, through a third party administrator for actual health claims incurred for the entire group. At the end of HCHG's fiscal year, the Group's insurance consultant will determine if assets are sufficient to meet the liabilities of the Group on an accrual basis and premium rates are adjusted to meet the anticipated needs of the ensuing year. It is anticipated that if claim liabilities exceed assets, premium rates will be adjusted prospectively to recover the necessary assets to meet claims

Based upon the unaudited results of operations of HCHG for the fiscal year ended March 31, 2010 the District's insurance consultants have reported that HCHG has an accumulated surplus of approximately \$15,123,125 through March 31, 2010.

**Commercial Liability Insurance**

The District is exposed to various risks of loss relating to torts; theft or damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**5. OTHER INFORMATION (continued)****B. Contingent liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

There are no suits or claims pending against the District which, individually or in the aggregate is believed by counsel to be likely to result in a judgment or judgments that would materially affect the District's financial position.

**C. Employee retirement systems and pension plans**

Pensions for employees other than school department teaching staff are provided through a contributory retirement system under the Massachusetts Contributory Retirement Law, which is governed by Chapter 32 of the Massachusetts General Laws. Both employer and employee contributions are actuarially determined as directed by the State Division of Insurance. Required contribution rates for employees range from 5% to 9% of wages based upon their date of hire with an additional 2% contribution applied to wages in excess of \$30,000 for employees hired after December 31, 1978 and before June 30, 2001. In general, employees hired after June 2001, pay 11%. For fiscal 2010 the System required the District to pay a contribution rate equal to 3.11% of all required employer contributions compared to 3.19% for fiscal 2009 and 3.27% for fiscal 2008. Payments for the School District's share of pension costs were \$380,711, \$376,034, and \$369,232 for fiscal years 2010, 2009, and 2008, respectively.

The Hampshire County Retirement System administers this defined benefit, multi-employer plan that provides retirement, survivor, disability and accident benefits. The Plan issues stand alone financial statements, which can be obtained by writing the Hampshire County Retirement System, Court House, 99 Main Street, Northampton, Massachusetts 01060.

School Department teaching staff contributes to the Massachusetts Teachers' Retirement System administered by the Massachusetts Teachers Retirement Board. The District's only contributions to this plan are through deductions from certain federal grants; however, the State contributed \$2,385,925 into the System for the benefit of the District's employees. The District reports these "on-behalf" payments as both revenues and expenditures in a special revenue revolving fund.

Both retirement systems are contributory, multi-employer, defined benefit plans. Membership in the plans is mandatory immediately upon the commencement of employment for all permanent full-time employees.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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**5. OTHER INFORMATION (continued)**

**D. Other post employment benefits**

The District prospectively adopted and implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, required for fiscal periods beginning after December 15, 2007, in fiscal 2009. This statement addresses how governments should account for and report their costs and obligations related to post employment healthcare and other nonpension benefits.

Plan Description. The District participates in a defined benefit retiree medical insurance plan. The District contributes to a cost-sharing multiple-employer defined benefit healthcare plan for eligible retired employees. The plan is administered by the Hampshire County Health Group ("HCHG"). This plan is subject to the provisions of Massachusetts General Law Chapter 32B, Sections 9A, 9D, and 10 with eligibility requirements conditional by the District's school committee. This plan does issue stand alone financial statements and it can be obtained by contacting the HCHG.

Coverage. Non-Medicare retirees have their choice between network Blue England HMO or Blue Care Elect Preferred PPO. Medicare eligible retirees must elect Medex.

Eligibility. Retirees are eligible at age 55 with at least 10 years of service.

Cost Sharing. The retiree is responsible for 50% of the premiums.

Spouse Coverage. Spouses are covered under the plan.

Surviving Spouse Coverage. Surviving spouse pays 100% of the premium.

Annual Premiums. Annual premiums are as follows.

Description	Individual	Employee+1	Family
As of April 1, 2009:			
Pre 65 Plans:			
Blue Care (PPO) ..	\$ 6,768.72	N/A	\$ 18,540.00
Network Blue . . . .	\$ 5,789.76	\$ 13,482.96	\$ 16,716.48
As of January 1, 2009:			
Post 65 Plans:			
Medex . . . . .	\$ 4,356.00	N/A	N/A

Funding the Plan. The annual required contribution (ARC) is determined on an actuarial basis; however, the actual contribution made by the District is based on a pay-as-you-go basis.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

**5. OTHER INFORMATION (continued)**

**D. Other post employment benefits (continued)**

Annual OPEB Cost and Net OPEB Obligation. For the fiscal year ended June 30, 2010.

Description	Amount
Annual Required Contribution (ARC) . . . . .	\$ 1,187,191
Interest on Net OPEB Obligation . . . . .	33,613
Adjustment to ARC . . . . .	(92,625)
Annual OPEB Cost (Expense) . . . . .	1,128,179
Expected Benefit Payouts (assumed middle of year) . .	330,413
Increase in Net OPEB Obligation . . . . .	797,766
Net OPEB Obligation - Beginning of the Year . . . . .	840,327
Net OPEB Obligation - End of the Year . . . . .	<u>\$ 1,638,093</u>

Description	Amount
Annual OPEB Cost (Expense) . . . . .	\$ 1,128,179
Percentage of Annual OPEB Cost Contributed . . . . .	29.3%
Net OPEB Obligation - End of the Year . . . . .	\$ 1,638,093
Covered Payroll . . . . .	\$ 7,148,350
OPEB Cost as a Percentage of Covered Payroll . . . . .	15.8%

Funding Status. The funded status of the plan as of July 1, 2008 (the actuarial valuation date) is shown below.

Description	Amount
Actuarial Accrued Liability (AAL) . . . . .	\$ 12,096,102
Actual Value of Plan Assets . . . . .	-
Unfunded Actuarial Accrued Liability (UAAL) . . . . .	<u>\$ 12,096,102</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL) . . . . .	0.0%
Covered Payroll (Active Plan Members) . . . . .	\$ 6,974,000
UAAL as a Percentage of Covered Payroll . . . . .	173.4%

Contributions made to the plan are shown below.

Year Ended June 30	Annual Required Contribution	Actual Contribution Made	Percentage Contributed	Net OPEB Obligation
2009	\$ 1,137,685	\$ 297,358	26.14%	\$ 840,327
2010	\$ 1,128,179	\$ 330,413	29.29%	\$ 1,638,093

**GATEWAY REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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**5. OTHER INFORMATION (continued)**

**D. Other post employment benefits (continued)**

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plans and the annual required contributions of the employees are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Since fiscal 2009 is the first year of implementing the provisions of GASB No. 45 there is no schedule of funding progress presented as required supplementary information. However, beginning in fiscal 2011, after the next actuarial report is conducted, a schedule of funding progress will be provided.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation the following methods and assumptions were used.

Description	Assumption
Funding Interest Rate . . . . .	4.00%
2008 Medical Trend Rate . . . . .	10.00%
Ultimate Trend Rate . . . . .	5.00%
Year Ultimate Trend Rate Reached . . . . .	2013
Actuarial Cost Method . . . . .	Entry Age Normal
Amortization Period . . . . .	30 Years
Projected Annual Increase in Payroll . . . . .	2.50%

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**5. OTHER INFORMATION (continued)**

**D. Other post employment benefits (continued)**

Membership in the Plans. Plan memberships consist of the following as of February 1, 2009.

Description	Active Employees	Current Retirees
Average age at hire:		
Males .....	39.2	N/A
Females .....	36.2	N/A
Totals .....	36.9	N/A
Average service:		
Males .....	8.7	N/A
Females .....	12.2	N/A
Totals .....	11.4	N/A
Average current age:		
Males .....	47.9	64.0
Females .....	48.4	65.6
Totals .....	48.3	65.0

**E. Implementation of new governmental accounting standards board (GASB) pronouncements**

During fiscal year 2010 the following GASB pronouncements were implemented.

The GASB issued Statement No. 51. Accounting and Financial Reporting for Intangible Assets. The objective of this statement is to establish accounting and reporting requirements for intangible assets to reduce inconsistencies that have resulted from an absence of sufficiently specific authoritative guidance. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. Intangible assets, and more specifically easements, are referred to in the description of capital assets in Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." This reference has created questions as to whether and when intangible assets should be considered capital assets for financial reporting purposes. An absence of sufficiently specific authoritative guidance that addresses these questions has resulted in inconsistencies in the accounting and financial reporting of intangible assets among state and local governments, particularly in the areas of recognition, initial measurement, and amortization. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. Because no events or issues described in this statement occurred, this pronouncement did not impact the District's basic financial statements.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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**5. OTHER INFORMATION (continued)**

**E. Implementation of new governmental accounting standards board (GASB) pronouncements (continued)**

The GASB issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. Because no events or issues described in this statement occurred, this pronouncement did not impact the District's basic financial statements.

GASB Statement No.58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies" issued December 2009. The object of the Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. This Statement is effective for reporting periods beginning after June 15, 2009. Because no events or issues described in this statement occurred, this pronouncement did not impact the District's basic financial statements.

Other Future GASB Pronouncements

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" issued March 2009. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The requirements of this Statement are effective for fiscal year 2011. Management does not believe this pronouncement will have a significant impact on the basic financial statements.

GASB Statement No.57, "OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans" issued December 2009. The object of the Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurement by employers that participate in agent multiple-employer other post-employment benefit (OPEB) plans (that is, agent employers). The provisions of this Statement related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe this pronouncement will have a significant impact on the basic financial statements.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**5. OTHER INFORMATION (continued)**

**F. Subsequent Events**

Closing of Elementary Schools

Effective July 1, 2010 the District terminated its lease agreements with the Towns of Blandford, Russell, and Worthington regarding the leasing of the elementary school building in each of those towns and closed down the schools.

As a result of this action, approximately \$6,922,000 of net asset leasehold improvements associated with these three structures will be considered impaired and written off the books. Additionally, as a result of this action, the Massachusetts School Building Authority (MSBA) is requiring that the District pay back to MSBA \$4,587,165 of grants it gave to the District in prior years to finance these leasehold improvements. The payments will be made in 14 annual installments of \$327,655 beginning in fiscal 2011.

The estimated net effect of closing these three schools will be to reduce the District's net assets in its Government-Wide Statement of Activities by \$11,509,165 in fiscal year 2011.

Repayment of Unreserved – Available for Appropriation Fund Balance to Member Towns

At June 30, 2010 the District's unreserved – available for appropriation fund balance of \$973,335 in the general fund is 5.82% of fiscal year 2011's budgeted general fund expenditures of \$16,711,407. State law mandates that any amount over 5.00%, approximately \$137,700, must be returned to member towns.

Once the State Department of Revenue certifies the District's unreserved – available for appropriation fund balance, the District plans to reduce member town fiscal year 2011 assessments to adhere to this 5.00% requirement.

(CONCLUDED)

**SCHEDULE 1**

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF BALANCE SHEETS**  
**AS OF JUNE 30, 2010**

	Special Revenue Funds	Capital Project Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<u>Assets</u>				
Pooled cash .....	1,281,481	-	12,116	1,293,597
Due from other governments .....	116,291	-	-	116,291
Inventory .....	8,847	-	-	8,847
Total assets .....	1,406,619	-	12,116	1,418,735
<u>Liabilities and fund balances</u>				
Liabilities:				
Due to other governments .....	207	-	-	207
Bond anticipation notes .....	-	57,000	-	57,000
Total liabilities .....	207	57,000	-	57,207
Fund balances:				
Reserved for inventory .....	8,847	-	-	8,847
Reserved for debt service .....	-	-	12,116	12,116
Reserved for designated expenditures .....	1,397,565	(57,000)	-	1,340,565
Total fund balances .....	1,406,412	(57,000)	12,116	1,361,528
Total liabilities and fund balances .....	1,406,619	-	12,116	1,418,735

See accompanying notes to the basic financial statements.



**SCHEDULE 2****GATEWAY REGIONAL SCHOOL DISTRICT****NONMAJOR GOVERNMENTAL FUNDS****COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Total Other Governmental Funds
Revenues:				
Intergovernmental. . . . .	2,123,647	-	-	2,123,647
Investment income. . . . .	277	-	-	277
Fees and charges for services . . . . .	387,238	-	-	387,238
Other. . . . .	93,675	-	-	93,675
Total revenues. . . . .	2,604,837	-	-	2,604,837
Other financing sources:				
Transfers from the general fund . . . . .	-	57,000	-	57,000
Proceeds from capital lease obligations . . . . .	-	106,320	-	106,320
Total other financing sources . . . . .	-	163,320	-	163,320
Total revenues and other financing sources. . . . .	2,604,837	163,320	-	2,768,157
Expenditures:				
Instruction. . . . .	1,817,556	-	-	1,817,556
Ancillary school services . . . . .	470,519	-	-	470,519
Capital improvements . . . . .	-	106,320	-	106,320
Total expenditures. . . . .	2,288,075	106,320	-	2,394,395
Other financing uses - transfers to the general fund . . . .	17,500	-	1,002	18,502
Total expenditures and other financing uses. . . . .	2,305,575	106,320	1,002	2,412,897
Net changes in fund balances . . . . .	299,262	57,000	(1,002)	355,260
Fund balance - beginning of the year. . . . .	1,107,150	(114,000)	13,118	1,006,268
Fund balance - end of the year . . . . .	1,406,412	(57,000)	12,116	1,361,528

See accompanying notes to the basic financial statements.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING SCHEDULE OF BALANCE SHEETS**  
**JUNE 30, 2010**

	Assets				Liabilities		Fund Balances		Total Liabilities and Fund Balances
	Due from			Due from	Reserved	Reserved for	Total		
	Pooled Cash	Other Governments	Inventory	Total	Other Governments	for Inventory		Designated Expenditures	
<u>Revolving funds:</u>									
Adult education . . . . .	973	-	-	973	-	-	973	973	973
Athletic . . . . .	106,807	-	-	106,807	-	-	106,807	106,807	106,807
Blandford elementary . . . . .	2,369	-	-	2,369	-	-	2,369	2,369	2,369
Building use . . . . .	54,355	-	-	54,355	-	-	54,355	54,355	54,355
Chester elementary . . . . .	5,246	-	-	5,246	-	-	5,246	5,246	5,246
Circuit breaker . . . . .	154,746	61,473	-	216,219	-	-	216,219	216,219	216,219
District donation . . . . .	2,346	-	-	2,346	-	-	2,346	2,346	2,346
Emergency planning . . . . .	4,279	-	-	4,279	-	-	4,279	4,279	4,279
E-rate . . . . .	16,427	-	-	16,427	-	-	16,427	16,427	16,427
Food services . . . . .	57,021	13,176	8,847	79,044	-	8,847	70,197	79,044	79,044
Friends of gateway . . . . .	2,068	-	-	2,068	-	-	2,068	2,068	2,068
Henderson memorial . . . . .	111	-	-	111	-	-	111	111	111
High school foundation for excellence . . . . .	3,779	-	-	3,779	-	-	3,779	3,779	3,779
High school lost textbooks . . . . .	955	-	-	955	-	-	955	955	955
High school vanderbilt . . . . .	734	-	-	734	-	-	734	734	734
Insurance . . . . .	20,873	-	-	20,873	-	-	20,873	20,873	20,873
Littleville elementary . . . . .	3,750	-	-	3,750	-	-	3,750	3,750	3,750
Littleville wrap around day care . . . . .	140,155	-	-	140,155	-	-	140,155	140,155	140,155
Lost library books . . . . .	286	-	-	286	-	-	286	286	286
MASCA summer camp . . . . .	500	-	-	500	-	-	500	500	500
Middle school textbooks . . . . .	20	-	-	20	-	-	20	20	20
Middle school vanderbilt . . . . .	902	-	-	902	-	-	902	902	902
Parking fees . . . . .	10,862	-	-	10,862	-	-	10,862	10,862	10,862
Preschool . . . . .	195	-	-	195	-	-	195	195	195
Recycling . . . . .	1,032	-	-	1,032	-	-	1,032	1,032	1,032
RHC wrap around day care . . . . .	255	-	-	255	-	-	255	255	255
Russell elementary . . . . .	3,798	-	-	3,798	-	-	3,798	3,798	3,798
School choice . . . . .	578,366	-	-	578,366	-	-	578,366	578,366	578,366
Student identification . . . . .	13,224	-	-	13,224	-	-	13,224	13,224	13,224
Tuition . . . . .	33,190	-	-	33,190	-	-	33,190	33,190	33,190
Wellness center . . . . .	37,753	-	-	37,753	-	-	37,753	37,753	37,753
Worthington elementary . . . . .	4,292	-	-	4,292	-	-	4,292	4,292	4,292
<u>Federal/state/other grants:</u>									
Culture council fy10 . . . . .	1,029	-	-	1,029	-	-	1,029	1,029	1,029
Health fy10 . . . . .	207	-	-	207	207	-	-	-	207
Mass culture council fy10 . . . . .	400	-	-	400	-	-	400	400	400
School to work fy10 . . . . .	1,757	-	-	1,757	-	-	1,757	1,757	1,757
Sped Idea fy10 . . . . .	55,434	-	-	55,434	-	-	55,434	55,434	55,434
Teaching American history fy10 . . . . .	(37,201)	37,201	-	-	-	-	-	-	-
Title I fy10 . . . . .	2,400	-	-	2,400	-	-	2,400	2,400	2,400
Title IIA fy10 . . . . .	227	-	-	227	-	-	227	227	227
Title IIB fy10 . . . . .	(4,441)	4,441	-	-	-	-	-	-	-
Total . . . . .	1,281,481	116,291	8,847	1,406,619	207	8,847	1,397,565	1,406,412	1,406,619

See accompanying notes to the basic financial statements.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Revenues (See page 6-6 and page 6-7 for details)	Expenditures (See page 6-8 and page 6-9 for details)	Other Financing Uses	Net Changes in Fund Balances	Fund Balance	
					June 30, 2009	June 30, 2010
<u>Revolving funds:</u>						
Adult education . . . . .	-	-	-	-	973	973
Athletic . . . . .	42,738	360	-	42,378	64,429	106,807
Blandford elementary . . . . .	415	-	-	415	1,954	2,369
Building use . . . . .	11,125	-	-	11,125	43,230	54,355
Chester elementary . . . . .	312	-	-	312	4,934	5,246
Circuit breaker . . . . .	216,220	306,098	-	(89,878)	306,097	216,219
District donation . . . . .	382	-	-	382	1,964	2,346
Emergency planning . . . . .	2,561	-	-	2,561	1,718	4,279
E-rate . . . . .	4,364	-	-	4,364	12,063	16,427
Food service . . . . .	404,650	362,809	-	41,841	37,203	79,044
Friends of gateway . . . . .	786	-	-	786	1,282	2,068
Head start . . . . .	17,500	-	17,500	-	-	-
Henderson memorial . . . . .	-	28	-	(28)	139	111
High school foundation for excellence . . . . .	1,073	-	-	1,073	2,706	3,779
High school lost textbooks . . . . .	197	-	-	197	758	955
High school vanderbilt . . . . .	181	-	-	181	553	734
Insurance . . . . .	20,873	-	-	20,873	-	20,873
Littleville elementary . . . . .	1,084	-	-	1,084	2,666	3,750
Littleville wrap around day care . . . . .	56,410	23,363	-	33,047	107,108	140,155
Lost library books . . . . .	66	-	-	66	220	286
MASCA summer camp . . . . .	-	-	-	-	500	500
Middle school lost textbooks . . . . .	-	-	-	-	20	20
Middle school vanderbilt . . . . .	-	-	-	-	902	902
Parking fees . . . . .	9,839	1,002	-	8,837	2,025	10,862
Pioneer valley planning . . . . .	2,460	2,460	-	-	-	-
Preschool . . . . .	2,251	2,056	-	195	-	195
Recycling . . . . .	-	-	-	-	1,032	1,032
RHC wrap around day care . . . . .	5,170	4,915	-	255	-	255
Russell elementary . . . . .	549	-	-	549	3,249	3,798
School choice . . . . .	262,257	1,521	-	260,736	317,630	578,366
Student identification . . . . .	5,920	-	-	5,920	7,304	13,224
Technology . . . . .	4,000	7,000	-	(3,000)	3,000	-
Tuition . . . . .	3,686	280	-	3,406	29,784	33,190
Wellness center . . . . .	20,497	20,469	-	28	37,725	37,753
Worthington elementary . . . . .	221	-	-	221	4,071	4,292
Subtotal carried forward . . . . .	1,097,787	732,361	17,500	347,926	997,239	1,345,165

See accompanying notes to the basic financial statements.

(Continued)

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Revenues (See page 6-6 and page 6-7 for details)	Expenditures (See page 6-8 and page 6-9 for details)	Other Financing Uses	Net Changes in Fund Balances	Fund Balance	
					June 30, 2009	June 30, 2010
Subtotal carried forward . . . . .	1,097,787	732,361	17,500	347,926	997,239	1,345,165
<u>Federal/state/other grants:</u>						
Academic support fy10 . . . . .	3,830	3,830	-	-	-	-
Academic support summer fy10 . . . . .	4,700	4,700	-	-	-	-
ARRA sped idea early childhood fy10 . . . . .	6,156	6,156	-	-	-	-
ARRA sped idea fy10 . . . . .	158,378	158,378	-	-	-	-
ARRA title I fy10 . . . . .	56,043	56,043	-	-	-	-
Coordinated family fy10 . . . . .	37,060	37,060	-	-	-	-
Cultural council fy09 . . . . .	-	-	-	-	1,029	1,029
Drug free schools fy10 . . . . .	4,314	4,314	-	-	-	-
Five colleges fy09 . . . . .	-	26	-	(26)	26	-
H1N1 fy10 . . . . .	36,651	36,651	-	-	-	-
Health fy10 . . . . .	49,200	49,200	-	-	-	-
Inclusive prek fy10 . . . . .	52,125	52,125	-	-	-	-
Mass cultural council fy09 . . . . .	1,200	800	-	400	-	400
MCC creative schools fy09 . . . . .	6,175	7,675	-	(1,500)	1,500	-
School to work fy09 . . . . .	-	360	-	(360)	2,117	1,757
Sped early childhood fy10 . . . . .	13,796	13,796	-	-	-	-
Sped idea fy10 . . . . .	340,046	284,612	-	55,434	-	55,434
Sped idea p194-142 fy09 . . . . .	-	39,104	-	(39,104)	39,104	-
Teaching American history fy10 . . . . .	320,811	320,811	-	-	-	-
Title I carryover fy10 . . . . .	863	863	-	-	-	-
Title I fy09 . . . . .	-	23,429	-	(23,429)	23,429	-
Title I fy10 . . . . .	180,996	178,596	-	2,400	-	2,400
Title II fy09 . . . . .	-	1,429	-	(1,429)	1,429	-
Title IIA fy10 . . . . .	62,042	61,815	-	227	-	227
Title IIB fy09 . . . . .	80,393	121,670	-	(41,277)	41,277	-
Title IIB fy10 . . . . .	90,000	90,000	-	-	-	-
Title IID fy10 . . . . .	2,271	2,271	-	-	-	-
Total . . . . .	2,604,837	2,288,075	17,500	299,262	1,107,150	1,406,412

See accompanying notes to the basic financial statements.

(Continued)

**GATEWAY REGIONAL SCHOOL DISTRICT**

**NONMAJOR SPECIAL REVENUE FUNDS**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED JUNE 30, 2010**

	Revenues				Totals (See pages 6-4 and 6-5)
	Inter- governmental	Investment Income	Fees and Charges for Services	Other	
<b><u>Revolving funds:</u></b>					
Athletic . . . . .	-	-	42,738	-	42,738
Blandford elementary . . . . .	-	-	-	415	415
Building use . . . . .	-	-	11,125	-	11,125
Chester elementary . . . . .	-	-	-	312	312
Circuit breaker . . . . .	216,220	-	-	-	216,220
District donation . . . . .	-	-	-	382	382
Emergency planning . . . . .	-	-	-	2,561	2,561
E-rate . . . . .	-	-	-	4,364	4,364
Food service . . . . .	174,771	277	229,602	-	404,650
Friends of gateway . . . . .	-	-	-	786	786
Head start . . . . .	-	-	-	17,500	17,500
High school foundation for excellence . . . . .	-	-	-	1,073	1,073
High school lost textbooks . . . . .	-	-	-	197	197
High school vanderbilt . . . . .	-	-	-	181	181
Insurance . . . . .	-	-	-	20,873	20,873
Littleville elementary . . . . .	-	-	-	1,084	1,084
Littleville wrap around day care . . . . .	-	-	56,410	-	56,410
Lost library books . . . . .	-	-	-	66	66
Parking fees . . . . .	-	-	9,839	-	9,839
Pioneer valley planning . . . . .	-	-	-	2,460	2,460
Preschool . . . . .	-	-	2,251	-	2,251
RHC wrap around day care . . . . .	-	-	5,170	-	5,170
Russell elementary . . . . .	-	-	-	549	549
School choice . . . . .	262,257	-	-	-	262,257
Student identification . . . . .	-	-	5,920	-	5,920
Technology . . . . .	-	-	-	4,000	4,000
Tuition . . . . .	-	-	3,686	-	3,686
Wellness center . . . . .	-	-	20,497	-	20,497
Worthington elementary . . . . .	-	-	-	221	221
Subtotal carried forward . . . . .	653,248	277	387,238	57,024	1,097,787

See accompanying notes to the basic financial statements.

(Continued)

**GATEWAY REGIONAL SCHOOL DISTRICT**

**NONMAJOR SPECIAL REVENUE FUNDS**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED JUNE 30, 2010**

	Revenues				Totals (See pages 6-4 and 6-5)
	Inter- governmental	Investment Income	Fees and Charges for Services	Other	
Subtotal carried forward . . . . .	653,248	277	387,238	57,024	1,097,787
<u>Federal/state/other grants:</u>					
Academic support fy10 . . . . .	3,830	-	-	-	3,830
Academic support summer fy10 . . . . .	4,700	-	-	-	4,700
ARRA sped idea early childhood fy10 . . . . .	6,156	-	-	-	6,156
ARRA sped idea fy10 . . . . .	158,378	-	-	-	158,378
ARRA title I fy10 . . . . .	56,043	-	-	-	56,043
Coordinated family fy10 . . . . .	37,060	-	-	-	37,060
Drug free schools fy10 . . . . .	4,314	-	-	-	4,314
H1N1 fy10 . . . . .	-	-	-	36,651	36,651
Health fy10 . . . . .	49,200	-	-	-	49,200
Inclusive prek fy10 . . . . .	52,125	-	-	-	52,125
Mass cultural council fy09 . . . . .	1,200	-	-	-	1,200
MCC creative schools fy09 . . . . .	6,175	-	-	-	6,175
Sped early childhood fy10 . . . . .	13,796	-	-	-	13,796
Sped idea fy10 . . . . .	340,046	-	-	-	340,046
Teaching American history fy10 . . . . .	320,811	-	-	-	320,811
Title I carryover fy10 . . . . .	863	-	-	-	863
Title I fy10 . . . . .	180,996	-	-	-	180,996
Title IIA fy10 . . . . .	62,042	-	-	-	62,042
Title IIB fy09 . . . . .	80,393	-	-	-	80,393
Title IIB fy10 . . . . .	90,000	-	-	-	90,000
Title IID fy10 . . . . .	2,271	-	-	-	2,271
Total . . . . .	2,123,647	277	387,238	93,675	2,604,837

See accompanying notes to the basic financial statements.

(Continued)

**SCHEDULE 4b**

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING SCHEDULE OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Expenditures		
	Instruction	Ancillary School Services	Totals (See pages 6-4 and 6-5)
<u>Revolving funds:</u>			
Athletic .....	-	360	360
Circuit breaker .....	306,098	-	306,098
Food service .....	-	362,809	362,809
Henderson memorial .....	-	28	28
Littleville wrap around day care .....	23,363	-	23,363
Parking fees .....	-	1,002	1,002
Pioneer valley planning .....	2,460	-	2,460
Preschool .....	2,056	-	2,056
RHC wrap around day care .....	4,915	-	4,915
School choice .....	1,521	-	1,521
Technology .....	7,000	-	7,000
Tuition .....	280	-	280
Wellness center .....	-	20,469	20,469
Subtotal carried forward .....	347,693	384,668	732,361

See accompanying notes to the basic financial statements.

(Continued)

**SCHEDULE 4b**

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING SCHEDULE OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Expenditures		
	Instruction	Ancillary School Services	Totals (See pages 6-4 and 6-5)
Subtotal carried forward . . . . .	347,693	384,668	732,361
<b>Federal/state/other grants:</b>			
Academic support fy10 . . . . .	3,830	-	3,830
Academic support summer fy10 . . . . .	4,700	-	4,700
ARRA sped idea early childhood fy10 . . . . .	6,156	-	6,156
ARRA sped idea fy10 . . . . .	158,378	-	158,378
ARRA title I fy10 . . . . .	56,043	-	56,043
Coordinated family fy10 . . . . .	37,060	-	37,060
Drug free schools fy10 . . . . .	4,314	-	4,314
Five colleges fy09 . . . . .	26	-	26
H1N1 fy10 . . . . .	-	36,651	36,651
Health fy10 . . . . .	-	49,200	49,200
Inclusive prek fy10 . . . . .	52,125	-	52,125
Mass cultural council fy09 . . . . .	800	-	800
MCC creative schools fy09 . . . . .	7,675	-	7,675
School to work fy09 . . . . .	360	-	360
Sped early childhood fy10 . . . . .	13,796	-	13,796
Sped idea fy10 . . . . .	284,612	-	284,612
Sped idea pl94-142 fy09 . . . . .	39,104	-	39,104
Teaching American history fy10 . . . . .	320,811	-	320,811
Title I carryover fy10 . . . . .	863	-	863
Title I fy09 . . . . .	23,429	-	23,429
Title I fy10 . . . . .	178,596	-	178,596
Title II fy09 . . . . .	1,429	-	1,429
Title IIA fy10 . . . . .	61,815	-	61,815
Title IIB fy09 . . . . .	121,670	-	121,670
Title IIB fy10 . . . . .	90,000	-	90,000
Title IID fy10 . . . . .	2,271	-	2,271
Total . . . . .	1,817,556	470,519	2,288,075

See accompanying notes to the basic financial statements.

(Concluded)

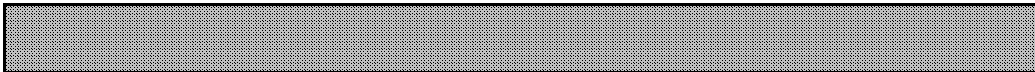


**SCHEDULE 5**

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**COMBINING SCHEDULE OF BALANCE SHEETS**  
**JUNE 30, 2010**

	School Roof Repairs Fund	Totals
Liabilities - bond anticipation notes payable . . . . .	57,000	57,000
Fund balance - reserved for designated expenditures . . . . .	(57,000)	(57,000)
Total liabilities and fund balances . . . . .	-	-

See notes to the basic financial statements.

**SCHEDULE 6**

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**COMBINING SCHEDULE OF OTHER FINANCING SOURCES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Capital Leases Fund	School Roof Repairs Fund	Totals
Other financing sources:			
General fund contribution to reduce debt . . . . .	-	57,000	57,000
Proceeds from capital lease obligations . . . . .	106,320	-	106,320
Total other financing sources . . . . .	106,320	57,000	163,320
Capital improvements . . . . .	106,320	-	106,320
Net changes in fund balance . . . . .	-	57,000	57,000
Fund (deficit) - beginning of the year . . . . .	-	(114,000)	(114,000)
Fund balance/(deficit) - end of the year . . . . .	-	(57,000)	(57,000)

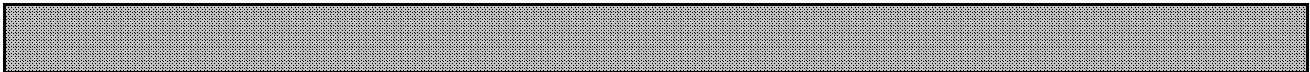
See accompanying notes to the basic financial statements.

**SCHEDULE 7**

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**COMBINING SCHEDULE OF NET ASSETS**  
**AS OF JUNE 30, 2010**

	<u>Assets</u>		<u>Liabilities</u>		<u>Net Assets</u>	<u>Total Liabilities and Net Assets</u>
	Pooled Cash	Due to Students Groups	Accounts Payable	Total	Held in Trust for Scholarships	
<u>Agency funds:</u>						
High school student activities . . . . .	30,086	30,086	-	30,086	-	30,086
Middle school student activities . . . . .	3,375	3,375	-	3,375	-	3,375
Total agency funds . . . . .	33,461	33,461	-	33,461	-	33,461
<u>Expendable trust funds:</u>						
Carmel scholarship . . . . .	11,457	-	11,460	11,460	(3)	11,457
Champiney scholarship . . . . .	1,400	-	1,400	1,400	-	1,400
Euler memorial scholarship . . . . .	1,000	-	1,000	1,000	-	1,000
Fox scholarship . . . . .	595	-	595	595	-	595
Total expendable trust funds . . . . .	14,452	-	14,455	14,455	(3)	14,452
Total fiduciary funds . . . . .	47,913	33,461	14,455	47,916	(3)	47,913

See accompanying notes to the basic financial statements.

**SCHEDULE 8**

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**PRIVATE-PURPOSE TRUST FUNDS**  
**COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Additions</u>				<u>Net Assets</u>	
	Donations	Interest	Deductions	Change in Net Assets	June 30, 2009	June 30, 2010
<u>Expendable trust funds:</u>						
Carmel scholarship . . . . .	10,809	126	11,460	(525)	522	(3)
Euler memorial scholarship . . . . .	1,000	-	1,000	-	-	-
Fox scholarship . . . . .	595	-	595	-	-	-
Total expendable trust funds . . . . .	12,404	126	13,055	(525)	522	(3)

See accompanying notes to the basic financial statements.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**RECONCILIATION OF TREASURER'S CASH**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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Bank checking accounts - interest bearing:	
United bank - general . . . . .	(226,887)
United bank - cafeteria . . . . .	34,770
United bank - student activities . . . . .	2,594
Total bank checking accounts - interest bearing . . . . .	(189,523)
Liquid investments:	
Massachusetts municipal depository trust - general . . . . .	1,577,238
United bank - general . . . . .	1,817,374
United bank - carmel scholarship . . . . .	11,483
United bank - student activities . . . . .	30,867
Total liquid investment accounts . . . . .	3,436,962
Total pooled cash . . . . .	<u>3,247,439</u>

Pooled cash is presented in the basic financial statements as follows:

General fund . . . . .	1,905,929
Other nonmajor governmental funds . . . . .	1,293,597
Subtotal . . . . .	3,199,526
Trust and agency funds . . . . .	47,913
Total pooled cash . . . . .	<u>3,247,439</u>

Reconciliation between reported treasurer's quarterly cash report and financial statement cash:

Total cash per treasurer's quarterly cash report . . . . .	3,250,460
Audit adjustment to eliminate double recording of June interest income . . . . .	(3,014)
Audit adjustment to record June bank service charges . . . . .	(7)
Total pooled cash per above . . . . .	<u>3,247,439</u>

See accompanying notes to the basic financial statements.

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

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To the School Committee of the  
Gateway Regional School District:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Gateway Regional School District of Massachusetts (the "District") as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 23, 2010. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting; specifically "Finding 10-1". A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

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

We noted certain other matters that we reported to management of the District in a separate letter dated September 23, 2010.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the school committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Stanley H. Kulas, CPA*

STANLEY H. KULAS  
Certified Public Accountant  
September 23, 2010

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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To the School Committee of the  
Gateway Regional School District:

Compliance

We have audited the Gateway Regional School District's (the "District") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the school committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Stanley H. Kulas, CPA*

STANLEY H. KULAS  
Certified Public Accountant  
September 23, 2010

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an opinion on the basic financial statements of the Gateway Regional School District which was unqualified.
2. One significant deficiency disclosed during the audit of the basic financial statements is reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*." This deficiency is not reported as a material weakness.
3. No instances of noncompliance material to the basic financial statements of the District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Report on Compliance With Requirements Applicable to Each Major Program & Internal Control Over Compliance in Accordance With Circular A-133."
5. The auditors' report on compliance for the major federal award programs for the District expresses an unqualified opinion.
6. There were no audit findings relative to the District's federal award major programs.
7. The programs tested as major programs were:
  - 84.010 Title I – Grants to Local Educational Agencies
  - 84.027 Special Education – Grants to States
  - 84.173 Special Education – Early Childhood Learning
  - 84.215 Teaching American History
  - 84.389 ARRA Title I – Grants to Local Educational Agencies
  - 84.391 ARRA Idea Stimulus
  - 84.392 ARRA Early Childhood
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. As defined by Circular A-133, the District was determined to be a low risk auditee.

**B FINDINGS - FINANCIAL STATEMENTS AUDIT**

**Significant Deficiency**

**10-1 – Preparation of financial statements based on generally accepted accounting principles (this deficiency had been noted in the FY09 report)**

**Condition:** As is the case for most school districts and municipalities in Massachusetts, the District does not prepare its financial statements. The financial statements are prepared by the accounting firm that conducts the audit of these statements. Although District management reviews a draft of the financial statements to detect any errors or omissions before the financial statements are finalized and released, the District does not have qualified personnel to determine if these financial statements adhere to the latest governmental accounting standards.

**Background:** The American Institute of Certified Public Accountants issued Auditing Standard #112 "Communicating Internal Control Related Matters Identified in the Audit". This standard requires the auditor to report on control deficiencies involving the preparation of the financial statements. Specifically it addresses the fact that it is the District's, rather than the auditor's, responsibility to prepare financial statements.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**B FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

**Significant Deficiencies (Continued)**

**10-1 – Preparation of financial statements based on generally accepted accounting principles (continued)**

**Criteria:** A system of internal control over financial reporting does not stop at the general ledger. It includes controls over financial statement preparation, including footnote disclosure. The fact that the auditor prepares the financial statements may mean they are correct, but it does not eliminate the control deficiency. An auditor cannot be considered part of the client's internal control. Thus, controls over the financial statement preparation function that exist in the auditor's firm cannot be considered. Only the controls the client has in place can be considered in determining whether there is a control deficiency and its severity.

**Cause:** District personnel are not trained to prepare the financial statements, including accompanying footnotes.

**Effect:** Because District personnel are not trained to prepare the financial statements, including accompanying footnotes, there is more than a remote likelihood that District personnel, during their review process, would not be able to detect a significant error or omission in the financial statements.

**Recommendation:** The District should be aware that this control deficiency exists, and consider whether it wants to spend the resources needed to adequately train its personnel so that they could prepare the financial statements or have the financial statements prepared by a qualified, independent third party.

**Views of Responsible District Official and Planned Corrective Actions:** We are aware of this situation and will take the above recommendation under consideration.

**C FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Program or Award Amount	Fund Balance 07/01/09	Revenues			Expenditures			Fund Balance 06/30/10
					Federal	State	Other	Program Costs	Refunds to State	Other	
<u>U.S. Department of Agriculture</u>											
Passed Through State Dept of Elementary and Secondary Education:											
Food Distribution (NOTE C) . . . . .	10.550	08-143-1	N/A	-	32,983	-	-	32,983	-	-	-
Child Nutrition Cluster:											
National School Breakfast Program . . . . .	10.553	08-143-1	N/A	-	22,102	-	-	22,102	-	-	-
National School Lunch Program . . . . .	10.555	08-143-1	N/A	37,203	145,672	6,997	229,881	145,672	-	195,037	79,044
Subtotal - Child Nutrition Cluster . . . . .			N/A	37,203	167,774	6,997	229,881	167,774	-	195,037	79,044
TOTAL DEPARTMENT OF AGRICULTURE . . . . .			-	37,203	200,757	6,997	229,881	200,757	-	195,037	79,044
<u>U.S. Department of Education</u>											
Passed Through State Dept of Elementary and Secondary Education:											
Title I, Part A Cluster:											
Title 1 - Carryover to FY10 . . . . .	84.010	305-392-0-0672-K	863	-	863	-	-	863	-	-	-
Title 1 - Grants to LEA's FY10 . . . . .	84.010	305-049-0-0672-K	180,996	-	180,996	-	-	178,596	-	-	2,400
Title 1 - Grants to LEA's FY09 . . . . .	84.010	305-027-9-0672-J	175,182	23,429	-	-	-	22,566	863	-	-
ARRA Title I - Grants to LEA's FY10 . . . . .	84.389	770-099-0-0672-K	56,043	-	56,043	-	-	56,043	-	-	-
Subtotal Title I, Part A Cluster . . . . .			413,084	23,429	237,902	-	-	258,068	863	-	2,400
Special Education IDEA Cluster:											
Sped IDEA B - Grants to States FY10 . . . . .	84.027	240-106-0-0672-K	340,046	-	340,046	-	-	284,612	-	-	55,434
Sped IDEA B - Grants to States FY09 . . . . .	84.027	240-093-9-0672-J	335,884	39,104	-	-	-	37,764	1,340	-	-
Sped Early Childhood Learning FY10 . . . . .	84.173	262-XXX-0-0672-K	13,796	-	13,796	-	-	13,796	-	-	-
ARRA Idea Stimulus FY10 . . . . .	84.391	760-122-0-0672-K	158,378	-	158,378	-	-	158,378	-	-	-
ARRA Early Childhood FY10 . . . . .	84.392	762-10-Gateway	6,156	-	6,156	-	-	6,156	-	-	-
Subtotal Special Education IDEA Cluster . . . . .			854,260	39,104	518,376	-	-	500,706	1,340	-	55,434
Program for Drug Free Schools FY10 . . . . .	84.186	331-196-0-0672-K	4,314	-	4,314	-	-	4,314	-	-	-

See accompanying notes to schedule of expenditures of federal awards.

(Continued)



**GATEWAY REGIONAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Program or Award Amount	Fund Balance 07/01/09	Revenues			Expenditures			Fund Balance 06/30/10
					Federal	State	Other	Program Costs	Refunds to State	Other	
U.S. Department of Education (Continued)											
Passed Through State Dept of Elementary and Secondary Education (Continued):											
Enhanced Education Through Technology FY10 . . .	84.318	160-075-0-0672-K	2,271	-	2,271	-	-	2,271	-	-	-
Math/Science Partnerships FY10 . . . . .	84.366	150-006-0-0672-K	200,370	-	90,000	-	-	90,000	-	-	-
Math/Science Partnerships FY09 . . . . .	84.366	150-015-9-0672-J	186,609	41,277	80,393	-	-	115,731	5,939	-	-
Total Program 84.366 . . . . .			386,979	41,277	170,393	-	-	205,731	5,939	-	-
Passed Through State Dept of Elementary and Secondary Education:											
Teacher Quality FY10 . . . . .	84.367	140-073-0-0672-K	62,042	-	62,042	-	-	61,815	-	-	227
Teacher Quality FY09 . . . . .	84.367	140-009-9-0672-J	61,829	1,429	-	-	-	1,429	-	-	-
Total Program 84.367 . . . . .			123,871	1,429	62,042	-	-	63,244	-	-	227
Subtotal - U.S. Department of Education Pass Through Programs . . . . .			1,784,779	105,239	995,298	-	-	1,034,334	8,142	-	58,061
U.S. Department of Education Direct Programs:											
Teaching American History FY10 (NOTE D). . . . .	84.215	U215X070046	992,500	-	320,811	-	-	320,811	-	-	-
TOTAL DEPARTMENT OF EDUCATION . . . . .			2,777,279	105,239	1,316,109	-	-	1,355,145	8,142	-	58,061
U.S. Department of Health and Human Services:											
Passed Through State Dept of Early Education and Care:											
Coordinated Family & Community FY10 . . . . .	84.596	237-10-Gateway	37,060	-	37,060	-	-	37,060	-	-	-
Inclusive Pre-Kindergarten FY10 . . . . .	84.596	391-10-Gateway	52,125	-	52,125	-	-	52,125	-	-	-
Total Program 93.596 (Child Care & Development). . . . .			89,185	-	89,185	-	-	89,185	-	-	-
TOTAL FEDERAL ASSISTANCE . . . . .			2,866,464	142,442	1,606,051	6,997	229,881	1,645,087	8,142	195,037	137,105

See accompanying notes to schedule of expenditures of federal awards.

(Concluded)

**GATEWAY REGIONAL SCHOOL DISTRICT**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010

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**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Gateway Regional School District (the District) under programs of the federal government for the year ended June 30, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- (1) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where applicable.

**NOTE C – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

**NOTE D – SUBRECIPIENTS**

Of the federal expenditures presented in the Schedule, the District provided federal awards to subrecipients as follows:

		Amount	
CFDA	Program	Provided to	
Number	Program Name	Subrecipient	
84.215	Teaching American History	\$ 311,464	

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**SUMMARY OF PRIOR YEAR'S FINDINGS AND CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**SUMMARY SCHEDULE OF PRIOR YEAR'S FINDINGS**

There were no findings or questioned costs associated with the audit of major federal award programs for the fiscal year ended June 30, 2009.

**CORRECTIVE ACTION PLAN**

The only finding regarding this year's audit is a significant deficiency concerning the preparation of financial statements.

Please refer to "Significant Deficiencies 10-1" in Section B of the Schedule of Findings and Questioned Costs beginning on page 7-3 of this report package for a detailed description of this deficiency along with the District's corrective action scenario.

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE WITH MASSACHUSETTS SCHOOL DISTRICTS

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To the School Committee of the  
Gateway Regional School District:

### Compliance

We have audited the compliance of the Gateway Regional School District (the "District") with the types of compliance requirements described in the Massachusetts Department of Elementary and Secondary Education's 2009 Compliance Supplement applicable to Massachusetts School Districts for the year ended June 30, 2010. Compliance with the requirements of laws, regulations, contracts, and grants applicable to School Districts is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance 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 and the Massachusetts Department of Elementary and Secondary Education Compliance Supplement. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Massachusetts School Districts programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our firm does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to Massachusetts School Districts for the year ended June 30, 2010.

### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contract, and grants applicable to Massachusetts School Districts. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on its ability to accurately report year-end information in accordance with Massachusetts Department of Elementary and Secondary Education requirements in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the school committee, management, state funding agencies, and the Massachusetts Department of Elementary and Secondary Education and is not intended to be and should not be used by anyone other than these specified parties.

*Stanley H. Kulas, CPA*

STANLEY H. KULAS  
Certified Public Accountant  
September 23, 2010

## REPORT TO MANAGEMENT

To the School Committee of the  
Gateway Regional School District:

In planning and performing our audit of the basic financial statements of the Gateway Regional School District of the Commonwealth of Massachusetts (the "District") for the year ended June 30, 2010, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We have issued a separate report on significant deficiencies dated September 23, 2010, which is included in this reporting package.

As a result of our audit of the basic financial statements, we noted certain other matters, not considered to be significant deficiencies, which are listed below.

Current Year's Comments:

Deficit in Carmel Scholarship Fund

Prior Year's Comments:

Student Activity Check Request Form Approval

This report is intended for the information of the school committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss these recommendations with you and to assist you in implementing them.

Sincerely,

*Stanley H. Kulas, CPA*

STANLEY H. KULAS  
Certified Public Accountant  
September 23, 2010

<b>CURRENT YEAR'S COMMENTS</b>
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**DEFICIT IN CARMEL SCHOLARSHIP FUND**

**Fiscal 2010 Observation:** As of June 30, 2010 the Carmel scholarship trust fund has a deficit fund balance of \$3.

**Fiscal 2010 Background:** Each year the District receives money from the Richard D. Carmel Charitable Trust to finance scholarships to graduating students. The District awards scholarships to students from these proceeds and from the interest that has been generated on these funds. In fiscal 2010 the awarded scholarships were slightly greater than the available assets in the District's trust account causing the \$3 deficit at year-end.

**Fiscal 2010 Recommendation:** Adjust the amount of scholarships awarded in fiscal 2011 to eliminate this \$3 deficit.

<b>PRIOR YEAR'S COMMENTS</b>
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**STUDENT ACTIVITY CHECK REQUEST FORM APPROVAL**

**Fiscal 2009 Observation:** District policy requires the school principal to approve all student activity check request forms by signing them. There were instances noted where the principal approved her own check request forms. This circumvents the control procedure because the same person that authorizes the form is also approving it.

**Fiscal 2009 Recommendation:** In instances where the student activity check request form is prepared by the school principal, the District's superintendent or business manager should be required to approve the request by signing the form instead of the principal.

**Fiscal 2010 Status:** The recommendation was adopted. The business manager now approves check request forms involving payments to the school principal.