

GATEWAY REGIONAL SCHOOL DISTRICT

**FINANCIAL STATEMENTS
INCLUDING INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDED JUNE 30, 2011**

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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, 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, 2011, 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, each major fund, and the aggregate remaining fund information of the District as of June 30, 2011, and the respective changes in financial position 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.

As described in Note 5E to the financial statements, the District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2011 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 on pages 2-1 through 2-10 and the schedule of other post-employment benefits funding progress on page 6-13 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 basic financial statements. The combining and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and other 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 basic financial statements. The combining and other schedules, and the schedule of expenditures of federal and other 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 basic financial statements as a whole.

Stanley H. Kulas, CPA

STANLEY H. KULAS
Certified Public Accountant

September 26, 2011

GATEWAY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011. 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 \$18,226,760.(Exhibit A)
- The District's total net assets for governmental activities decreased by \$12,418,272. The decrease was caused by the recognition of special item losses associated with closing the elementary schools of \$6,844,212 with the disposition of assets and \$4,587,165 with the incurrence of debt to the Massachusetts School Building Authority ("MSBA")(Exhibit B).
- The District's long-term obligations increased by \$4,443,647 to \$14,457,073 primarily due to the incurrence of \$4,587,165 of debt to the MSBA when the three elementary school buildings were closed.

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 \$2,921,548 (Exhibit C), a decrease of \$131,722 in comparison with the prior year (Exhibit D).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$673,305 (Exhibit C), or 4.06% of next year's anticipated general fund expenditures of \$16,581,514.
- The District's bond anticipation notes decreased by \$57,000 to \$0 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, 2011

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 no business-type activities. 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 H – 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, the state payments on-behalf of teacher retirement fund, the school choice revolving fund, and the school roof repairs fund, all 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 4 in this report.

GATEWAY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

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.

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 F and G 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 H 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 8 of this report.

GATEWAY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

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

(*) – The District has no proprietary funds.

GATEWAY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

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 \$18,226,760.

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	
	2011	2010
Current and other assets	\$ 3,210,251	\$ 3,324,664
Capital assets	29,910,345	37,725,617
Total assets	<u>33,120,596</u>	<u>41,050,281</u>
Bond anticipation notes	-	57,000
Other current liabilities	1,261,113	860,230
Long-term liabilities	13,632,723	9,488,019
Total liabilities	<u>14,893,836</u>	<u>10,405,249</u>
Net assets:		
Invested in capital assets, net of related debt ..	18,238,471	29,767,301
Restricted	1,423,681	1,408,283
Unrestricted	(1,435,392)	(530,552)
Total net assets	<u>\$ 18,226,760</u>	<u>\$ 30,645,032</u>

A portion of the District's net assets at June 30, 2011 and at June 30, 2010 of \$1,423,681 and of \$1,408,283, respectively, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$(1,435,392) and of \$(530,552) at June 30, 2011 and at June 30, 2010, respectively, are further segregated by internal designations as shown below.

Description	2011	2010
Designated for subsequent year's budget	\$ 815,000	\$ 718,407
Undesignated and unreserved	(2,250,392)	(1,248,959)
Total unrestricted net assets	<u>\$ (1,435,392)</u>	<u>\$ (530,552)</u>

GATEWAY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

Governmental activities. Governmental activities decreased the District's net assets by \$12,418,272 and \$536,712 for fiscal years 2011 (Exhibit B) and 2010, respectively. Key elements of these changes are as follows:

DISTRICT'S CHANGES IN NET ASSETS		
Description	Amount	
	2011	2010
Revenues:		
Program revenues:		
Charges for services	\$ 359,920	\$ 387,238
Member town assessments	1,833,279	1,849,081
Investment income	298	277
Other	65,943	93,675
Operating grants and contributions	5,367,177	5,314,232
General revenues:		
Assessments to member towns	7,576,748	8,117,995
Grants and contributions not restricted to specific programs	5,523,878	5,866,604
Miscellaneous	78,264	39,750
Investment income	25,062	35,711
Total revenues	20,830,569	21,704,563
Expenses:		
Administration	766,018	749,809
Instruction	10,169,093	10,056,692
Ancillary school services	972,638	1,055,774
Transportation	1,519,471	1,528,777
Maintenance and operations	1,337,358	1,489,432
Insurance and employee benefits	5,160,245	4,985,325
Programs with other schools	703,507	1,086,275
Capital improvements	7,264	12,490
Unallocated depreciation	854,409	933,980
Debt service	327,461	342,721
Total expenses	21,817,464	22,241,275
Special items - losses incurred upon closing elementary schools	11,431,377	-
Change in net assets	\$ (12,418,272)	\$ (536,712)

- Revenues related to member town assessments decreased by \$557,049 or 5.59%.
- Revenues related to operating grants and contributions decreased by \$289,781 or 2.59%.
- There was a one-time cost of \$11,431,377 with closing three elementary schools in fiscal 2011.

GATEWAY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

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 \$2,921,548 (Exhibit C), a decrease in the balance of \$131,722 in comparison with the prior year (Exhibit D). A summary of the components comprising these balances is described below.

Description	2011	2010
Nonspendable food services inventory	\$ 5,599	\$ 8,847
Restricted by grantors or enabling legislation	1,427,644	1,352,681
Assigned to reduce subsequent year's assessments	815,000	718,407
Unassigned - available for spending at the government's discretion	673,305	973,335
Total fund balances	<u>\$ 2,921,548</u>	<u>\$ 3,053,270</u>

The general fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance was \$1,488,305 (Exhibit C) of which \$673,305 was the unassigned fund balance. As a measure of the general fund liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers for the current year. Unreserved fund balance represents 4.21% of total general fund expenditures and transfers, while total fund balance represents 9.30% of that same amount. These results are somewhat lower than the 5.99% and 10.40% associated with the prior fiscal year.

The fund balance of the District's general fund decreased by \$203,437 during the current fiscal year (Exhibits D). Key factors in this change are (Exhibit E):

- Use of \$1,068,110 of beginning fund balance to finance current year's operations.
- Current expenditures for instruction, insurance, transportation and the like were \$700,182 less than budgeted.
- State aid transportation and Medicaid revenues were \$107,537 more than budgeted.

State payments on-behalf of the teacher retirement program totaling \$2,681,924 and \$2,385,925 for fiscal 2011 and 2010 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, 2011

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's original fiscal 2011 budget of \$16,711,407 did not change during the year. However, there were some changes reclassifying amounts between individual line items; specifically, assessments to member towns decreased by \$349,703 while transfers from beginning fund balance increased by the same amount (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 is \$29,910,345 (net of accumulated depreciation). This investment in capital assets includes buildings, machinery and equipment, vehicles, furniture and fixtures, land, and computer equipment.

The major capital asset events during the current fiscal year were the disposition of \$6,844,212 of net assets associated with the closing of three elementary schools and \$971,060 of depreciation expense. A summary of District capital assets at June 30, 2011 and June 30, 2010 is presented below.

DISTRICT'S CAPITAL ASSETS (net of depreciation)		
Description	Amount	
	2011	2010
Buildings	\$ 29,777,955	\$ 30,552,794
Machinery and equipment	58,553	92,549
Computers	36,232	108,697
Land	17,250	17,250
Vehicles	15,257	23,215
Furniture and fixtures	5,098	8,484
Leasehold improvements	-	6,922,628
Total capital assets	<u>\$ 29,910,345</u>	<u>\$ 37,725,617</u>

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

Short-term debt. At the end of fiscal year 2011 and 2010, the District had total bond anticipation notes outstanding of \$0 and \$57,000, 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)
FOR THE YEAR ENDED JUNE 30, 2011

Long-term debt. At the end of fiscal year 2011 and 2010, the District's governmental activities had long-term obligations outstanding of \$14,457,073 and \$10,013,426, respectively; comprised of the following components.

DISTRICT'S OUTSTANDING LONG-TERM OBLIGATION		
Description	Amount	
	2011	2010
Bonds payable.	\$ 7,365,000	\$ 7,815,000
MSBA obligations.	4,259,510	-
Other post-employment obligations . . .	2,417,637	1,638,093
Compensated absences	358,000	463,772
Capital lease obligations.	47,364	86,316
Unamortized bond premium	9,562	10,245
Total outstanding debt	<u>\$ 14,457,073</u>	<u>\$ 10,013,426</u>

The District maintains a "A" 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 H - 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 5.9% providing \$342,726 less in state revenues.
- Financial implications affecting the FY '11 budget were the following:
 - \$718,407 was used from E & D to offset the budget.
- The Gateway District consolidated elementary schools from five schools to two schools. Blandford, Russell and R. H. Conwell Elementary Schools were closed.

GATEWAY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2011

These factors were considered in preparing the District's budget for the 2012 fiscal year.

- State chapter 70 funds for the District were increased by the same amount lost in SFSF funds (\$29,655).
- Regional transportation reimbursement is expected to be funded at a total amount of \$550,858 (approx. 50%).
- The total FY '12 budget is approximately .01% (\$989) lower than FY '11 reflecting a decrease of \$125,257 (-1.28%) 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 .03% providing an additional \$1,572 of assessment revenues.
- The District's proposed FY 2012 operating budget is requesting \$1,899,242 of town assessments above the minimum contribution amounts established by the Commonwealth.
- The District will be using \$815,000 out of excess and deficiency to reduce town assessments.

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, 2011

	Govern- mental Activities
Assets:	
Pooled cash	3,145,104
Due from other governments	59,548
Inventory	5,599
Capital assets - net of accumulated depreciation	29,910,345
Total assets	33,120,596
Liabilities:	
Current unamortized premium from bond issuance	683
Current portion of bonds payable	460,000
Current portion of MSBA obligation	327,655
Current portion of capital lease obligations	36,012
Accrued interest payable	148,060
Accounts payable.	52,446
Accrued payroll	66,994
Payroll withholdings	167,546
Deferred revenue	1,717
Other post-employment benefit (OPEB) obligation	2,417,637
Noncurrent unamortized premium from bond issuance	8,879
Noncurrent portion of bonds payable	6,905,000
Noncurrent portion of MSBA obligation	3,931,855
Noncurrent portion of capital lease obligations	11,352
Noncurrent portion of compensated absences	358,000
Total liabilities	14,893,836
Net assets:	
Invested in capital assets, net of related debt	18,238,471
Restricted	1,423,681
Unrestricted	(1,435,392)
Total net assets	18,226,760

See accompanying notes to the basic financial statements.

GATEWAY REGIONAL SCHOOL DISTRICT

GOVERNMENT-WIDE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses for all Functions and Programs	Program Revenues					Net Revenue/ (Expense) and Changes in Net Assets
		Charges for Services	Member Town Assessments	Investment Income	Other	Operating Grants and Contributions	Govern- mental Activities
Governmental activities:							
Administration	766,018	-	-	-	-	-	(766,018)
Instruction	10,169,093	5,643	-	-	16,148	1,886,237	(8,261,065)
Ancillary school services	972,638	334,480	-	298	3,184	217,432	(417,244)
Transportation	1,519,471	-	984,386	-	-	581,584	46,499
Maintenance and operations	1,337,358	19,797	-	-	46,611	-	(1,270,950)
Insurance and employee benefits	5,160,245	-	-	-	-	2,681,924	(2,478,321)
Programs with other schools	703,507	-	-	-	-	-	(703,507)
Capital improvements	7,264	-	-	-	-	-	(7,264)
Unallocated depreciation (*)	854,409	-	-	-	-	-	(854,409)
Principal associated with renovation bonds	-	-	450,000	-	-	-	450,000
Interest associated with renovation bonds	327,461	-	398,893	-	-	-	71,432
Totals	21,817,464	359,920	1,833,279	298	65,943	5,367,177	(14,190,847)
General revenues:							
Assessments to member towns							7,576,748
State and federal aid not restricted to specific purposes							5,523,878
Miscellaneous							78,264
Investment income							25,062
Total general revenues							13,203,952
Special items:							
Closing of schools - loss on disposition of assets							(6,844,212)
Closing of schools - obligation to Massachusetts School Building Authority (MSBA)							(4,587,165)
Total special items							(11,431,377)
Changes in net assets							(12,418,272)
Net assets - beginning of the year							30,645,032
Net assets - end of the year							18,226,760

(*) - This line item excludes depreciation expensed directly to various programs totaling \$116,651. (\$854,409 + \$116,651 = \$971,060 total depreciation expense).

See accompanying notes to the basic financial statements.

GATEWAY REGIONAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

	General Fund	School Choice Revolving Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
Assets				
Pooled cash	1,747,850	604,713	792,541	3,145,104
Due from other governments	1,504	-	58,044	59,548
Inventory	-	-	5,599	5,599
Total assets	<u>1,749,354</u>	<u>604,713</u>	<u>856,184</u>	<u>3,210,251</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	26,509	-	25,937	52,446
Payroll withholdings	167,546	-	-	167,546
Accrued payroll	66,994	-	-	66,994
Deferred revenue	-	-	1,717	1,717
Total liabilities	<u>261,049</u>	<u>-</u>	<u>27,654</u>	<u>288,703</u>
Fund balances:				
Nonspendable	-	-	5,599	5,599
Spendable:				
Restricted	-	604,713	822,931	1,427,644
Assigned to reduce subsequent years' assessments	815,000	-	-	815,000
Unassigned - available for appropriation	673,305	-	-	673,305
Total fund balances	<u>1,488,305</u>	<u>604,713</u>	<u>828,530</u>	<u>2,921,548</u>
Total liabilities and fund balances	<u>1,749,354</u>	<u>604,713</u>	<u>856,184</u>	
Reconciliation to government-wide statement of net assets:				
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			42,813,146	
Less: Accumulated depreciation			(12,902,801)	
Subtotal				29,910,345
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			(7,365,000)	
Massachusetts school building authority (MSBA) obligation			(4,259,510)	
Other post-employment benefits obligation			(2,417,637)	
Premiums from the issuance of bonds			(9,562)	
Compensated absences			(358,000)	
Capital lease obligations			(47,364)	
Subtotal				(14,457,073)
Accrued interest payable is not due in the current period and therefore is not reported in the governmental funds statements				
				(148,060)
Net assets (Exhibit A)				<u>18,226,760</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, 2011

	General Fund	State Payments On-behalf of Teacher Retirement Fund	School Choice Revolving Fund	School Roof Repairs Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
Revenues:						
Town assessments	9,410,027	-	-	-	-	9,410,027
Intergovernmental	6,287,994	2,681,924	163,317	-	1,757,820	10,891,055
Investment income	24,379	-	-	-	298	24,677
Fees and charges for services	-	-	-	-	359,920	359,920
Other revenues	78,264	-	-	-	65,943	144,207
Total revenues	15,800,664	2,681,924	163,317	-	2,183,981	20,829,886
Other financing sources:						
Transfers from the general fund	-	-	-	57,000	-	57,000
Transfers from debt service fund	963	-	-	-	-	963
Transfers from other nonmajor funds	6,161	-	-	-	10,459	16,620
Total other financing sources	7,124	-	-	57,000	10,459	74,583
Total revenues and other financing sources	15,807,788	2,681,924	163,317	57,000	2,194,440	20,904,469
Expenditures:						
Current:						
Administration	694,392	-	-	-	-	694,392
Instruction	7,835,290	-	136,970	-	1,630,851	9,603,111
Ancillary school services	416,154	-	-	-	499,168	915,322
Transportation	1,519,471	-	-	-	-	1,519,471
Maintenance and operations	1,186,569	-	-	-	58,470	1,245,039
Insurance and employee benefits	2,478,321	2,681,924	-	-	-	5,160,245
Programs with other schools	703,507	-	-	-	-	703,507
Capital improvements	7,264	-	-	-	-	7,264
Massachusetts school building authority payback ..	327,655	-	-	-	-	327,655
Debt Service:						
Principal payments associated with bonds	450,000	-	-	-	-	450,000
Interest associated with long-term debt	334,749	-	-	-	-	334,749
Interest associated with bond anticipation notes ..	853	-	-	-	-	853
Total expenditures	15,954,225	2,681,924	136,970	-	2,188,489	20,961,608
Other financing uses:						
Transfers to the general fund	-	-	-	-	7,124	7,124
Transfers to other nonmajor funds	-	-	-	-	10,459	10,459
Transfers to nonmajor school roof fund	57,000	-	-	-	-	57,000
Total other financing uses	57,000	-	-	-	17,583	74,583
Total expenditures and other financing uses	16,011,225	2,681,924	136,970	-	2,206,072	21,036,191
Net changes in fund balances	(203,437)	-	26,347	57,000	(11,632)	(131,722)
Fund balance - beginning of the year	1,691,742	-	578,366	(57,000)	840,162	
Fund balance - end of the year	1,488,305	-	604,713	-	828,530	
Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities (See footnote 2 for additional information):						
Capital outlays net of depreciation expense						(7,815,272)
Net change in certain accrued liabilities						(4,471,961)
Capital lease obligation proceeds and amortization of bond premiums						683
Change in net assets of the government-wide statement of activities (Exhibit B)						(12,418,272)

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, 2011

	Original Budget	Revised Budget	Actual	Over/ (Under) Budget
Revenues - budgetary basis:				
Town assessments:				
Blandford	1,480,599	1,432,990	1,432,990	-
Chester	1,439,010	1,381,767	1,381,767	-
Huntington	2,178,210	2,094,893	2,094,893	-
Middlefield	557,820	537,698	537,698	-
Montgomery	976,328	946,005	946,005	-
Russell	1,732,977	1,657,879	1,657,879	-
Worthington	1,394,786	1,358,795	1,358,795	-
Total town assessments	9,759,730	9,410,027	9,410,027	-
Commonwealth of Massachusetts - state aid:				
Chapter 70	5,523,878	5,523,878	5,523,878	-
Transportation	556,579	556,579	581,584	25,005
Medicaid	100,000	100,000	182,532	82,532
Total Commonwealth of Massachusetts - state aid	6,180,457	6,180,457	6,287,994	107,537
Miscellaneous:				
Investment income	39,850	39,850	24,379	(15,471)
Other	-	-	78,264	78,264
Total miscellaneous	39,850	39,850	102,643	62,793
Total revenues	15,980,037	15,630,334	15,800,664	170,330
Other financing sources:				
Transfers from beginning fund balance	718,407	1,068,110	1,068,110	-
Transfers from debt service fund	963	963	963	-
Transfers from parking fees revolving fund	12,000	12,000	6,161	(5,839)
Total other financing sources	731,370	1,081,073	1,075,234	(5,839)
Total revenues and other financing sources - budgetary basis	16,711,407	16,711,407	16,875,898	164,491
Expenditures - budgetary basis:				
Current:				
Administration	701,890	713,873	694,392	(19,481)
Instruction	8,077,200	8,062,072	7,835,290	(226,782)
Ancillary school services	414,010	419,753	416,154	(3,599)
Transportation	1,540,965	1,536,002	1,519,471	(16,531)
Operations and maintenance	1,196,312	1,196,362	1,186,569	(9,793)
Fixed charges	2,670,084	2,672,399	2,478,321	(194,078)
Programs with other schools	933,435	933,435	703,507	(229,928)
Total current	15,533,896	15,533,896	14,833,704	(700,192)
Capital improvements	7,265	7,265	7,264	(1)
Debt service:				
Principal - construction and renovation obligations	450,000	450,000	450,000	-
Interest - construction and renovation obligations	334,738	334,738	334,749	11
Interest - bond anticipation notes	853	853	853	-
Total debt service	785,591	785,591	785,602	11
Massachusetts school building authority paybacks	327,655	327,655	327,655	-
Total expenditures - budgetary basis	16,654,407	16,654,407	15,954,225	(700,182)
Other financing uses - transfers to roof repair fund	57,000	57,000	57,000	-
Total expenditures and other financing uses - budgetary basis	16,711,407	16,711,407	16,011,225	(700,182)
Net changes in fund balance	-	-	864,673	864,673

Reconciliation of GAAP basis to budgetary basis:

(See Exhibit D) Transfers From

Description	GAAP Basis	Beginning Fund Balance	Budgetary Basis
Revenues and other financing sources	15,807,788	1,068,110	16,875,898
Expenditures and other financing uses	16,011,225	-	16,011,225
Net changes in fund balance	(203,437)	1,068,110	864,673

See accompanying notes to the basic financial statements.

EXHIBIT F

GATEWAY REGIONAL SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	Private- Purpose Trust Expendable Scholarship Funds	Agency Student Activities Funds	Totals
Assets			
Pooled cash.	8,832	37,976	46,808
Liabilities			
Due to students	-	37,976	37,976
Accounts payable	8,553	-	8,553
Total liabilities	8,553	37,976	46,529
Net assets - held in trust for scholarships	279	-	279

See accompanying notes to the basic financial statements.

**EXHIBIT G**

GATEWAY REGIONAL SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Private- Purpose Trust Expendable Scholarship Funds
Additions:	
Donations	7,998
Interest	32
Total additions	8,030
Deductions - scholarships	7,748
Change in net assets	282
Net assets - beginning of the year	(3)
Net assets - end of the year	279

See accompanying notes to the basic financial statements.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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 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.

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.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of presentation (continued)

Government-wide financial statements (continued)

Separate financial statements are provided for governmental 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 fund that the District believes is particularly important to financial statement users may be reported as a major fund.

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).

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of presentation (continued)

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.

Major Funds

The District reports the following as major funds.

- General fund – resources provided by assessments, State, and miscellaneous sources.
- State payments on-behalf of teacher retirement fund – resources provided by State.
- School choice revolving fund – for general use; resources provided by State.
- School roof repairs fund – resources provided via bonding and transfers from general fund.

Nonmajor funds

The District reports the following nonmajor funds.

Special revenue funds:

 All revolving funds

 All federal, state, and other grant funds

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, 2011

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 the government-wide 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.

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.

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 only recorded for budgetary-basis financial statements.

The fiduciary fund financial statements use the accrual method of accounting.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement focus

The government-wide financial statements governmental 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.

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.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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:

Assets	Years
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.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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”.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Fund equity (continued)

Fund financial statements

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventory; or (b) legally or contractually required to be maintained intact:

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, of laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the District's school committee – the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school committee removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The District's business manager has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other funds.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011

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) \$ (131,722)

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:

Disposition of fixed assets	(6,844,212)	
Depreciation expense	(971,060)	
Totals		(7,815,272)

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	450,000	
Increase in other post-employment benefit obligation	(779,544)	
Incurrence of obligation to Massachusetts School Building Authority (MSBA)	(4,587,165)	
Decrease in compensated absence accrual	70,000	
Payment of principal associated with outstanding MSBA obligation	327,655	
Payment of capital lease obligations	38,952	
Decrease in interest payable accrual	8,141	
Totals		(4,471,961)

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		683
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Change in net assets of the government-side statement of activities (Exhibit B) \$ (12,418,272)

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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 1st of the preceding fiscal year.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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 1st 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 committed or assigned fund equity. As of June 30, 2011 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.

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) (SIF)	\$ 1,897,219	\$ 52,944	\$ 1,950,163
Investments with Massachusetts Municipal Depository Trust . . .	2,080,661	-	2,080,661
Total deposits and cash equivalents in institutions	3,977,880	52,944	4,030,824
Various reconciling items	(832,776)	(6,136)	(838,912)
Total cash	<u>\$ 3,145,104</u>	<u>\$ 46,808</u>	<u>\$ 3,191,912</u>

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

4. DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables

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

Description	Exhibit C			Exhibit A
	General Fund	Other Nonmajor Governmental Funds	Total	Government Wide Financial Statements
Intergovernmental receivables:				
Federal emergency management agency	\$ 1,504	\$ -	\$ 1,504	\$ 1,504
Teaching American history - federal department of education . . .	-	42,305	42,305	42,305
Technology enhancement - state department of education	-	15,739	15,739	15,739
Total - intergovernmental receivables.	<u>\$ 1,504</u>	<u>\$ 58,044</u>	<u>\$ 59,548</u>	<u>\$ 59,548</u>

C. Capital Assets

Asset recognition

The District's capital asset activity for the year ended June 30, 2011 was as follows.

Description	Beginning Balance	Additions	Dispositions	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	-	(233,394)	1,795,035
Machinery and equipment	339,407	-	(45,100)	294,307
Furniture and fixtures	2,178,640	-	(279,917)	1,898,723
Vehicles	103,840	-	(37,956)	65,884
Total capital assets, being depreciated:	<u>51,349,307</u>	<u>-</u>	<u>(8,553,411)</u>	<u>42,795,896</u>
Total capital assets, gross	<u>51,366,557</u>	<u>-</u>	<u>(8,553,411)</u>	<u>42,813,146</u>
Less accumulated depreciation for:				
Buildings	(8,189,153)	(774,839)	-	(8,963,992)
Leasehold improvements	(1,034,416)	(79,570)	1,113,986	-
Computers.	(1,919,732)	(72,465)	233,394	(1,758,803)
Machinery and equipment	(246,858)	(33,996)	45,100	(235,754)
Furniture and fixtures	(2,170,156)	(2,232)	278,763	(1,893,625)
Vehicles	(80,625)	(7,958)	37,956	(50,627)
Total accumulated depreciation	<u>(13,640,940)</u>	<u>(971,060)</u>	<u>1,709,199</u>	<u>(12,902,801)</u>
Total capital assets, net	<u>\$ 37,725,617</u>	<u>\$ (971,060)</u>	<u>\$ (6,844,212)</u>	<u>\$ 29,910,345</u>

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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	\$ 28,175
Instruction	74,065
Maintenance and operations	14,411
Subtotal	116,651
Unallocated	854,409
Total depreciation expense	<u>\$ 971,060</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, 2011, is as follow:

Transfers Out Of The:	Transfers In To The:				Totals
	General Fund	Roof Repair Fund	Chester Elementary Fund	Littleville Elementary Fund	
Nonmajor Funds:					
Parking fees revolving	\$ 6,161	\$ -	\$ -	\$ -	\$ 6,161
Blanford elementary revolving	-	-	2,369	-	2,369
Russell elementary revolving	-	-	-	3,798	3,798
Worthington elementary revolving ...	-	-	-	4,292	4,292
Subtotals	6,161	-	2,369	8,090	16,620
Debt service	963	-	-	-	963
General fund	-	57,000	-	-	57,000
Totals	<u>\$ 7,124</u>	<u>\$ 57,000</u>	<u>\$ 2,369</u>	<u>\$ 8,090</u>	<u>\$ 74,583</u>

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011 is presented below.

	Date Issued	Maturity Date	Interest Rate	Balance June 30 10	Reductions	Balance Jun 30 11	Interest Expense
Capital Project Funds:							
Roof repair .	07/17/09	07/16/10	1.50%	\$ 57,000	\$ 57,000	\$ -	\$ 853

F. Long-term debt

Changes in long-term liabilities – governmental activities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year	FY 2011 Interest Expense
Bonds payable	\$ 7,815,000	\$ -	\$ 450,000	\$ 7,365,000	\$ 460,000	\$ 6,905,000	\$ 334,749
Other post-employment benefits . .	1,638,093	779,544	-	2,417,637	-	2,417,637	-
Compensated absences	463,772	-	105,772	358,000	-	358,000	-
Capital lease obligations	86,316	-	38,952	47,364	36,012	11,352	4,478
MSBA obligations	-	4,587,165	327,655	4,259,510	327,655	3,931,855	-
Unamortized bond premium	10,245	-	683	9,562	683	8,879	-
Total long-term liabilities	\$ 10,013,426	\$ 5,366,709	\$ 923,062	\$ 14,457,073	\$ 824,350	\$ 13,632,723	\$ 339,227

As in prior years, the general operating fund's assets were used in fiscal 2011 to pay current compensated absence and capital lease obligations.

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, \$136,662 and \$79,143 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, 2011

4. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term debt (continued)

Debt service payments

The following is a schedule of long-term debt maturities associated with the bonds payable and with Massachusetts School Building Authority (MSBA) obligations as of June 30, 2011.

Fiscal Year	Bond Indebtedness			MSBA Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2012. . . .	\$ 460,000	\$ 319,040	\$ 779,040	\$ 327,655	\$ -	\$ 327,655
2013. . . .	475,000	301,997	776,997	327,655	-	327,655
2014. . . .	485,000	283,324	768,324	327,655	-	327,655
2015. . . .	500,000	258,944	758,944	327,655	-	327,655
2016. . . .	515,000	233,781	748,781	327,655	-	327,655
2017. . . .	525,000	207,925	732,925	327,655	-	327,655
2018. . . .	540,000	181,375	721,375	327,655	-	327,655
2019. . . .	555,000	158,875	713,875	327,655	-	327,655
2020. . . .	505,000	137,425	642,425	327,655	-	327,655
2021. . . .	525,000	117,225	642,225	327,655	-	327,655
2022. . . .	540,000	96,225	636,225	327,655	-	327,655
2023. . . .	560,000	73,950	633,950	327,655	-	327,655
2024. . . .	580,000	50,150	630,150	327,650	-	327,650
2025. . . .	600,000	25,500	625,500	-	-	-
Total. . . .	\$ 7,365,000	\$ 2,445,736	\$ 9,810,736	\$ 4,259,510	\$ -	\$ 4,259,510

The following is a schedule of long-term debt maturities associated with capital lease obligations as of June 30, 2011.

Fiscal Year	Capital Lease Obligations Payable to Vendors		
	Principal	Interest	Total
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.	\$ 47,364	\$ 2,911	\$ 50,275

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 \$9,562.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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	\$ 1,418,082
Inventory	5,599
Total	<u>\$ 1,423,681</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	Invested in		
	Balances	capital assets		
		net of	Restricted	Unrestricted
		related debt		
General fund:				
Unassigned-available for appropriation	\$ 673,305	\$ -	\$ -	\$ 673,305
Committed to:				
Reduce subsequent years' assessments	815,000	-	-	815,000
School choice fund - restricted for expenditures	604,713	-	604,713	-
Other nonmajor funds:				
Nonspendable - inventory	5,599	-	5,599	-
Restricted for expenditures	822,931	-	822,931	-
Subtotals	2,921,548	-	1,433,243	1,488,305
Adjustments required by GASB #34:				
Capital assets	-	29,910,345	-	-
Indebtedness associated with capital assets:				
Bonds payable	-	(7,365,000)	-	-
MSBA obligations	-	(4,259,510)	-	-
Capital lease obligations	-	(47,364)	-	-
Other post-employment benefits obligation	-	-	-	(2,417,637)
Compensated absences	-	-	-	(358,000)
Unamortized bond premium	-	-	(9,562)	-
Accrued interest	-	-	-	(148,060)
Total	<u>\$ 2,921,548</u>	<u>\$ 18,238,471</u>	<u>\$ 1,423,681</u>	<u>\$ (1,435,392)</u>

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

4. DETAILED NOTES ON ALL FUNDS (continued)

H. Governmental Fund Balances

The following is a summary of the District's governmental fund fund balances at year-end.

		School		
		Choice	Other	
	General	Revolving	Nonmajor	
Description	Fund	Fund	Funds	Total
Restricted for:				
Instruction	\$ -	\$ 604,713	\$ 291,995	\$ 896,708
Ancillary school services	-	-	412,145	412,145
Maintenance and operations	-	-	107,638	107,638
Debt service	-	-	11,153	11,153
Total restricted	-	604,713	822,931	1,427,644
Assigned to reduce subsequent year's assessments . . .	815,000	-	-	815,000
Unassigned - available for appropriations	673,305	-	-	673,305
Nonspendable - inventory	-	-	5,599	5,599
Total fund balances	\$ 1,488,305	\$ 604,713	\$ 828,530	\$ 2,921,548

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.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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

Based upon the unaudited results of operations of HCHG for the fiscal year ended March 31, 2011 the District's insurance consultants have reported that HCHG has an accumulated surplus of approximately \$17,912,704 through March 31, 2011.

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.

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 2011 the System required the District to pay a contribution rate equal to 3.35% of all required employer contributions compared to 3.11% for fiscal 2010 and 3.19% for fiscal 2009. Payments for the School District's share of pension costs were \$425,880, \$380,711, and \$376,034 for fiscal years 2011, 2010, and 2009, 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.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

5. OTHER INFORMATION (continued)

C. Employee retirement systems and pension plans (continued)

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 \$2,681,924 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.

D. Other post-employment 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 or 20 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, 2011 - Pre 65 Plans:			
Blue Care (PPO)	\$ 6,972	N/A	\$ 19,096
Network Blue	\$ 6,132	\$ 14,279	\$ 17,703
As of January 1, 2009 - Post 65 Plans:			
Medex	\$ 4,356	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, 2011

5. OTHER INFORMATION (continued)

D. Other post-employment benefits (continued)

Annual OPEB Cost and Net OPEB Obligation. For the fiscal year ended June 30, 2011.

Description	Amount
Annual Required Contribution (ARC)	\$ 1,135,655
Interest on Net OPEB Obligation	65,524
Adjustment to ARC	(73,413)
Annual OPEB Cost (Expense)	1,127,766
Expected Benefit Payouts (assumed middle of year) . .	348,222
Increase in Net OPEB Obligation	779,544
Net OPEB Obligation - Beginning of the Year	1,638,093
Net OPEB Obligation - End of the Year	<u>\$ 2,417,637</u>

Funding Status. The funded status of the combined plans as of July 1, 2010 (the actuarial valuation date) is shown below.

Description	Amount
Actuarial Accrued Liability (AAL)	\$ 12,336,449
Actualial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 12,336,449</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll (Active Plan Members)	6,770,659
UAAL as a Percentage of Covered Payroll	182.2%

Contributions made to the plan in the past three years are shown below.

Year Ended June 30	Annual OPEB Cost	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
2011	\$ 1,127,766	\$ 348,222	30.88%	\$ 2,417,637

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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.

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, 2010 actuarial valuation the following methods and assumptions were used.

Description	Assumption
Funding Interest Rate	4.00%
2010 Medical Trend Rate	9.00%
Ultimate Trend Rate	5.00%
Year Ultimate Trend Rate Reached	2018
Actuarial Cost Method	Entry Age Normal
Remaining Amortization Period at 06/30/11. . . .	27.05
Projected Annual Increase in Payroll	2.50%

Funding Progress: The required schedule of funding progress immediately following the notes to the financial statements, schedule 8 on page 6-13, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

5. OTHER INFORMATION (continued)

D. Other post-employment benefits (continued)

Membership in the Plans. Plan memberships consist of the following as of November 1, 2010.

Description	Active Employees	Current Retirees
Average age at hire:		
Males	39.1	N/A
Females	35.6	N/A
Totals	36.4	N/A
Average service:		
Males	9.6	N/A
Females	12.2	N/A
Totals	11.6	N/A
Average current age:		
Males	48.6	67.9
Females	47.8	67.8
Totals	48.0	67.8

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

During fiscal year 2011 the following GASB pronouncements were implemented.

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. See footnotes 1E(7) and 4H for details on this statements impact on the District's financial statements.

GASB Statement No. 59, "Financial Instruments Omnibus" issued June 2010. The objective of this statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement had no reporting implications for the District.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

5. OTHER INFORMATION (continued)

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

Other Future GASB Pronouncements

GASB Statement No.57, "OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans" issued December 2009. The objective 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.

GASB Statement No.60, "Service Concession Arrangements" issued November 2010. The objective of the Statement is to improve existing financial reporting by addressing issues related to service concession arrangements ("SCAs"). An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This statement is effective for periods beginning after December 15, 2011. Management does not believe this pronouncement will have a significant impact on the basic financial statements.

GASB Statement No. 61, "The Financial Reporting Entity: Omnibus" issued November 2010. The objective of this Statement is to better meet user needs and to address reporting entity issues concerning component units associated with primary governments. This statement is effective for periods beginning after June 15, 2012. Management does not believe this pronouncement will have a significant impact on the basic financial statements.

GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" issued December 2010. The objective of this statement is to improve financial reporting by contributing to the GASB's efforts to codify all sources of GAAP for state and local governments so that they are derived from a single source. This statement is effective for periods beginning after December 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, 2011

5. OTHER INFORMATION (continued)

F. Extraordinary Loss Associated with the Closing of Three 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, \$6,844,212 of net asset leasehold improvements associated with these three structures was 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 net effect of closing these three schools was a reduction in the District's net assets in its Government-Wide Statement of Activities by \$11,431,377 in fiscal year 2011.

(CONCLUDED)

SCHEDULE 1

GATEWAY REGIONAL SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF BALANCE SHEETS
AS OF JUNE 30, 2011

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<u>Assets</u>			
Pooled cash	781,388	11,153	792,541
Due from other governments	58,044	-	58,044
Inventory	5,599	-	5,599
Total assets	845,031	11,153	856,184
<u>Liabilities and fund balances</u>			
Liabilities:			
Accounts payable	25,937	-	25,937
Deferred revenue	1,717	-	1,717
Total liabilities	27,654	-	27,654
Fund balances:			
Nonspendable	5,599	-	5,599
Restricted	811,778	11,153	822,931
Total fund balances	817,377	11,153	828,530
Total liabilities and fund balances	845,031	11,153	856,184

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, 2011**

	Special Revenue Funds	Debt Service Fund	Total Other Governmental Funds
Revenues:			
Intergovernmental.	1,757,820	-	1,757,820
Investment income.	298	-	298
Fees and charges for services	359,920	-	359,920
Other.	65,943	-	65,943
Total revenues.	2,183,981	-	2,183,981
Other financing sources:			
Transfers from special revenue funds	10,459	-	10,459
Total revenues and other financing sources.	2,194,440	-	2,194,440
Expenditures:			
Instruction.	1,630,851	-	1,630,851
Ancillary school services	499,168	-	499,168
Maintenance and operations	58,470	-	58,470
Total expenditures.	2,188,489	-	2,188,489
Other financing uses:			
Transfers to special revenue funds	10,459	-	10,459
Transfers to the general fund	6,161	963	7,124
Total other financing uses.	16,620	963	17,583
Total expenditures and other financing uses.	2,205,109	963	2,206,072
Net changes in fund balances	(10,669)	(963)	(11,632)
Fund balance - beginning of the year.	828,046	12,116	840,162
Fund balance - end of the year	817,377	11,153	828,530

See accompanying notes to the basic financial statements.

GATEWAY REGIONAL SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF BALANCE SHEETS
JUNE 30, 2011

	Assets				Liabilities			Fund Balances			Total Liabilities and Fund Balances
	Due from				Accounts Payable	Deferred Revenue	Total	Restricted			
	Pooled Cash	Other Governments	Inventory	Total				Non- Spendable	(See page 6-4 for details)	Total	
Revolving funds:											
Adult education	972	-	-	972	-	-	-	-	972	972	972
Athletic	124,921	-	-	124,921	-	-	-	-	124,921	124,921	124,921
Building use	57,205	-	-	57,205	-	-	-	-	57,205	57,205	57,205
Chester elementary	7,246	-	-	7,246	-	-	-	-	7,246	7,246	7,246
Chester wrap around day care	11,013	-	-	11,013	-	-	-	-	11,013	11,013	11,013
Circuit breaker	171,331	-	-	171,331	-	-	-	-	171,331	171,331	171,331
District donation	1,075	-	-	1,075	-	-	-	-	1,075	1,075	1,075
Emergency planning	4,279	-	-	4,279	-	-	-	-	4,279	4,279	4,279
Food services	72,551	-	5,599	78,150	-	1,717	1,717	5,599	70,834	76,433	78,150
Friends of gateway	1,646	-	-	1,646	-	-	-	-	1,646	1,646	1,646
Ghs lost textbooks	112	-	-	112	-	-	-	-	112	112	112
Gms lost textbooks	20	-	-	20	-	-	-	-	20	20	20
Insurance	36,735	-	-	36,735	-	-	-	-	36,735	36,735	36,735
Littleville elementary	13,307	-	-	13,307	-	-	-	-	13,307	13,307	13,307
Littleville wrap around day care	165,955	-	-	165,955	-	-	-	-	165,955	165,955	165,955
Lost library books	64	-	-	64	-	-	-	-	64	64	64
MASCA summer camp	500	-	-	500	-	-	-	-	500	500	500
Parking fees	10,674	-	-	10,674	-	-	-	-	10,674	10,674	10,674
Preschool	26	-	-	26	-	-	-	-	26	26	26
Recycling	524	-	-	524	-	-	-	-	524	524	524
Student identificaton	13,372	-	-	13,372	-	-	-	-	13,372	13,372	13,372
Technology	4,406	-	-	4,406	-	-	-	-	4,406	4,406	4,406
Tuition	23,355	-	-	23,355	-	-	-	-	23,355	23,355	23,355
Wellness center	38,209	-	-	38,209	-	-	-	-	38,209	38,209	38,209
Federal/state/other grants:											
Cultural council fy10	179	-	-	179	-	-	-	-	179	179	179
Green in the middle school fy11	2,500	-	-	2,500	-	-	-	-	2,500	2,500	2,500
H1N1 fy11	713	-	-	713	-	-	-	-	713	713	713
Henderson memorial fy10	85	-	-	85	-	-	-	-	85	85	85
High school foundation for excellence fy10	1,389	-	-	1,389	-	-	-	-	1,389	1,389	1,389
Mass culture council fy10	400	-	-	400	-	-	-	-	400	400	400
Middle school Vanderbilt fy10.	371	-	-	371	-	-	-	-	371	371	371
School to work fy10	1,137	-	-	1,137	-	-	-	-	1,137	1,137	1,137
Sped Idea fy11	20,712	-	-	20,712	-	-	-	-	20,712	20,712	20,712
Spiffy fy11	163	-	-	163	-	-	-	-	163	163	163
Teaching American history - mpc fy11	(3,342)	3,342	-	-	-	-	-	-	-	-	-
Teaching American history fy11	(13,026)	38,963	-	25,937	25,937	-	25,937	-	-	-	25,937
Technology enhancement fy11	(9,550)	15,739	-	6,189	-	-	-	-	6,189	6,189	6,189
Title I fy11	6,319	-	-	6,319	-	-	-	-	6,319	6,319	6,319
Title II fy11	530	-	-	530	-	-	-	-	530	530	530
Title IIB fy11	13,310	-	-	13,310	-	-	-	-	13,310	13,310	13,310
Total	781,388	58,044	5,599	845,031	25,937	1,717	27,654	5,599	811,778	817,377	845,031

See accompanying notes to the basic financial statements.

(Continued)

GATEWAY REGIONAL SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF BALANCE SHEETS
JUNE 30, 2011

	Fund Balance Restricted for			
	Instruction	Ancillary School Services	Maintenance and Operations	Totals (See page 6-3)
<u>Revolving funds:</u>				
Adult education	972	-	-	972
Athletic	-	124,921	-	124,921
Building use	-	-	57,205	57,205
Chester elementary	7,246	-	-	7,246
Chester wrap around day care	-	11,013	-	11,013
Circuit breaker	171,331	-	-	171,331
District donation	1,075	-	-	1,075
Emergency planning	4,279	-	-	4,279
Food services	-	70,834	-	70,834
Friends of gateway	1,646	-	-	1,646
Ghs lost textbooks	112	-	-	112
Insurance	-	-	36,735	36,735
Littleville elementary	13,307	-	-	13,307
Littleville wrap around day care	-	165,955	-	165,955
Lost library books	64	-	-	64
MASCA summer camp	-	500	-	500
Middle school lost textbooks	20	-	-	20
Parking fees	-	-	10,674	10,674
Preschool	26	-	-	26
Recycling	-	-	524	524
Student identificaton	13,372	-	-	13,372
Technology	4,406	-	-	4,406
Tuition	23,355	-	-	23,355
Wellness center	-	38,209	-	38,209
<u>Federal/state/other grants:</u>				
Cultural council fy10	179	-	-	179
Gms Vanderbilt fy10.	371	-	-	371
Green in the middle school fy11	-	-	2,500	2,500
H1N1 fy11	-	713	-	713
Henderson memorial fy10	85	-	-	85
High school foundation for excellence fy10 . .	1,389	-	-	1,389
Mass culture council fy10	400	-	-	400
School to work fy10	1,137	-	-	1,137
Sped Idea fy11	20,712	-	-	20,712
Spiffy fy11	163	-	-	163
Technology enhancement fy11	6,189	-	-	6,189
Title I fy11	6,319	-	-	6,319
Title II fy11	530	-	-	530
Title IIB fy11	13,310	-	-	13,310
Total	291,995	412,145	107,638	811,778

See accompanying notes to the basic financial statements.

(Concluded)

GATEWAY REGIONAL SCHOOL DISTRICT

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2011

	Revenues		Expenditures		Net	Fund Balance	
	(See page 6-7 and page 6-8 for details)	Other Financing Sources	(See page 6-9 and page 6-10 for details)	Other Financing Uses	Changes in Fund Balances	June 30, 2010	June 30, 2011
Revolving funds:							
Adult education	-	-	1	-	(1)	973	972
Athletic	43,197	-	25,083	-	18,114	106,807	124,921
Blandford elementary	-	-	-	2,369	(2,369)	2,369	-
Building use	13,636	-	10,786	-	2,850	54,355	57,205
Chester elementary	530	2,369	899	-	2,000	5,246	7,246
Chester wrap around day care	11,165	-	152	-	11,013	-	11,013
Circuit breaker	171,332	-	216,220	-	(44,888)	216,219	171,331
District donation	634	-	1,905	-	(1,271)	2,346	1,075
Emergency planning	-	-	-	-	-	4,279	4,279
Food service	358,698	-	361,309	-	(2,611)	79,044	76,433
Friends of gateway	6	-	428	-	(422)	2,068	1,646
High school lost textbooks	630	-	1,473	-	(843)	955	112
Insurance	46,611	-	30,749	-	15,862	20,873	36,735
Littleville elementary	2,579	8,090	1,112	-	9,557	3,750	13,307
Littleville wrap around day care	66,320	-	40,520	-	25,800	140,155	165,955
Lost library books	75	-	297	-	(222)	286	64
MASCA summer camp	-	-	-	-	-	500	500
Middle school lost textbooks	-	-	-	-	-	20	20
Parking fees	6,161	-	188	6,161	(188)	10,862	10,674
Preschool	1,826	-	1,995	-	(169)	195	26
Recycling	-	-	508	-	(508)	1,032	524
RHC wrap around day care	-	-	255	-	(255)	255	-
Russell elementary	-	-	-	3,798	(3,798)	3,798	-
Student identification	796	-	648	-	148	13,224	13,372
Technology	12,832	-	8,426	-	4,406	-	4,406
Tuition	3,817	-	13,652	-	(9,835)	33,190	23,355
Wellness center	21,460	-	21,004	-	456	37,753	38,209
Worthington elementary	-	-	-	4,292	(4,292)	4,292	-
Subtotal carried forward	762,305	10,459	737,610	16,620	18,534	744,846	763,380

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, 2011

	Revenues	Other	Expenditures	Other	Net	Fund Balance	
	(See page 6-7	Financing	(See page 6-9	Financing	Changes	June 30,	June 30,
	and page 6-8	Sources	and page 6-10	Uses	in Fund	2010	2011
	for details)		for details)		Balances		
Subtotal carried forward	762,305	10,459	737,610	16,620	18,534	744,846	763,380
<u>Federal/state/other grants:</u>							
Academic support fy11	3,870	-	3,870	-	-	-	-
Community partners fy11	52,125	-	52,125	-	-	-	-
Coordinated family fy11	37,060	-	37,060	-	-	-	-
Cultural council fy10	-	-	850	-	(850)	1,029	179
Drug free schools fy11	1,243	-	1,243	-	-	-	-
DSAC assistance a fy11	4,454	-	4,454	-	-	-	-
DSAC assistance b fy11	3,385	-	3,385	-	-	-	-
DSAC title I fy11	4,005	-	4,005	-	-	-	-
Education jobs ARRA fy11	25,408	-	25,408	-	-	-	-
E-rate fy10	-	-	16,427	-	(16,427)	16,427	-
Green in the middle school fy11	2,500	-	-	-	2,500	-	2,500
H1N1 fy11	2,170	-	1,457	-	713	-	713
Health fy11	49,200	-	49,200	-	-	-	-
Henderson memorial fy10	-	-	26	-	(26)	111	85
High school foundation for excellence fy10	-	-	2,390	-	(2,390)	3,779	1,389
High school Vanderbilt fy10	-	-	734	-	(734)	734	-
Mass cultural council fy10	200	-	200	-	-	400	400
Middle school Vanderbilt fy10	-	-	531	-	(531)	902	371
School to work fy10	450	-	1,070	-	(620)	1,757	1,137
SFSF ARRA fy11	29,655	-	29,655	-	-	-	-
Sped early childhood ARRA fy11	6,156	-	6,156	-	-	-	-
Sped early childhood fy11	13,795	-	13,795	-	-	-	-
Sped idea ARRA fy11	158,066	-	158,066	-	-	-	-
Sped idea fy10	-	-	55,434	-	(55,434)	55,434	-
Sped idea fy11	189,122	-	168,410	-	20,712	-	20,712
Spiffy fy11	600	-	437	-	163	-	163
Summer mcas fy11	4,870	-	4,870	-	-	-	-
Teaching American history - mpc fy11	179,507	-	179,507	-	-	-	-
Teaching American history fy11	107,864	-	107,864	-	-	-	-
Technology enhancement fy11	63,000	-	56,811	-	6,189	-	6,189
Title I ARRA fy11	56,135	-	56,135	-	-	-	-
Title I carryover fy11	2,248	-	2,248	-	-	-	-
Title I fy10	-	-	2,400	-	(2,400)	2,400	-
Title I fy11	169,966	-	163,647	-	6,319	-	6,319
Title II fy11	60,254	-	59,724	-	530	-	530
Title IIA fy10	-	-	227	-	(227)	227	-
Title IIB fy10	110,370	-	110,370	-	-	-	-
Title IIB fy11	83,998	-	70,688	-	13,310	-	13,310
Total	2,183,981	10,459	2,188,489	16,620	(10,669)	828,046	817,377

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, 2011

	Revenues				Totals (See pages 6-5 and 6-6)
	Inter- governmental	Investment Income	Fees and Charges for Services	Other	
<u>Revolving funds:</u>					
Athletic	-	-	43,197	-	43,197
Building use	-	-	13,636	-	13,636
Chester elementary	-	-	-	530	530
Chester wrap around day care	-	-	11,165	-	11,165
Circuit breaker	171,332	-	-	-	171,332
District donation	-	-	-	634	634
Food service	166,062	298	192,338	-	358,698
Friends of gateway	-	-	-	6	6
High school lost textbooks	-	-	-	630	630
Insurance	-	-	-	46,611	46,611
Littleville elementary	-	-	-	2,579	2,579
Littleville wrap around day care	-	-	66,320	-	66,320
Lost library books	-	-	-	75	75
Parking fees	-	-	6,161	-	6,161
Preschool	-	-	1,826	-	1,826
Student identification	-	-	-	796	796
Technology	-	-	-	12,832	12,832
Tuition	-	-	3,817	-	3,817
Wellness center	-	-	21,460	-	21,460
Subtotal carried forward	337,394	298	359,920	64,693	762,305

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, 2011

	Revenues				Totals (See pages 6-5 and 6-6)
	Inter- governmental	Investment Income	Fees and Charges for Services	Other	
Subtotal carried forward	337,394	298	359,920	64,693	762,305
<u>Federal/state/other grants:</u>					
Academic support fy11	3,870	-	-	-	3,870
Community partners fy11	52,125	-	-	-	52,125
Coordinated family fy11	37,060	-	-	-	37,060
Drug free schools fy11	1,243	-	-	-	1,243
DSAC assistance a fy11	4,454	-	-	-	4,454
DSAC assistance b fy11	3,385	-	-	-	3,385
DSAC title I fy11	4,005	-	-	-	4,005
Education jobs ARRA fy11	25,408	-	-	-	25,408
Green in the middle school fy11	2,500	-	-	-	2,500
H1N1 fy11	2,170	-	-	-	2,170
Health fy11	49,200	-	-	-	49,200
Mass cultural council fy10	-	-	-	200	200
School to work fy10	-	-	-	450	450
SFSF ARRA fy11	29,655	-	-	-	29,655
Sped early childhood ARRA fy11	6,156	-	-	-	6,156
Sped early childhood fy11	13,795	-	-	-	13,795
Sped idea ARRA fy11	158,066	-	-	-	158,066
Sped idea fy11	189,122	-	-	-	189,122
Spiffy fy11	-	-	-	600	600
Summer mcas fy11	4,870	-	-	-	4,870
Teaching American history - mpc fy11 ...	179,507	-	-	-	179,507
Teaching American history fy11	107,864	-	-	-	107,864
Technology enhancement fy11	63,000	-	-	-	63,000
Title I ARRA fy11	56,135	-	-	-	56,135
Title I carryover fy11	2,248	-	-	-	2,248
Title I fy11	169,966	-	-	-	169,966
Title II fy11	60,254	-	-	-	60,254
Title IIB fy10	110,370	-	-	-	110,370
Title IIB fy11	83,998	-	-	-	83,998
Total	1,757,820	298	359,920	65,943	2,183,981

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, 2011

	Expenditures			Totals (See pages 6-5 and 6-6)
	Instruction	Ancillary School Services	Maintenance and Operations	
<u>Revolving funds:</u>				
Adult education	1	-	-	1
Athletic	-	25,083	-	25,083
Building use	-	-	10,786	10,786
Chester elementary	899	-	-	899
Chester wrap around day care	-	152	-	152
Circuit breaker	216,220	-	-	216,220
District donation	1,905	-	-	1,905
Food service	-	361,309	-	361,309
Friends of gateway	428	-	-	428
High school lost textbooks	1,473	-	-	1,473
Insurance	-	-	30,749	30,749
Littleville elementary	1,112	-	-	1,112
Littleville wrap around day care	-	40,520	-	40,520
Lost library books	297	-	-	297
Parking fees	-	188	-	188
Preschool	1,995	-	-	1,995
Recycling	-	-	508	508
RHC wrap around day care	-	255	-	255
Student identification	648	-	-	648
Technology	8,426	-	-	8,426
Tuition	13,652	-	-	13,652
Wellness center	-	21,004	-	21,004
Subtotal carried forward	247,056	448,511	42,043	737,610

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, 2011

	Expenditures			Totals (See pages 6-5 and 6-6)
	Instruction	Ancillary School Services	Maintenance and Operations	
Subtotal carried forward	247,056	448,511	42,043	737,610
<u>Federal/state/other grants:</u>				
Academic support fy11	3,870	-	-	3,870
Community partners fy11	52,125	-	-	52,125
Coordinated family fy11	37,060	-	-	37,060
Cultural council fy10	850	-	-	850
Drug free schools fy11	1,243	-	-	1,243
DSAC assistance a fy11	4,454	-	-	4,454
DSAC assistance b fy11	3,385	-	-	3,385
DSAC title I fy11	4,005	-	-	4,005
Education jobs ARRA fy11	25,408	-	-	25,408
E-rate fy10	-	-	16,427	16,427
H1N1 fy11	-	1,457	-	1,457
Health fy11	-	49,200	-	49,200
Henderson memorial fy10	26	-	-	26
High school foundation for excellence fy10 ..	2,390	-	-	2,390
High school vanderbilt fy10	734	-	-	734
Mass cultural council fy10	200	-	-	200
Middle school vanderbilt fy10	531	-	-	531
School to work fy10	1,070	-	-	1,070
SFSF ARRA fy11	29,655	-	-	29,655
Sped early childhood ARRA fy11	6,156	-	-	6,156
Sped early childhood fy11	13,795	-	-	13,795
Sped idea ARRA fy11	158,066	-	-	158,066
Sped idea fy10	55,434	-	-	55,434
Sped idea fy11	168,410	-	-	168,410
Spiffy fy11	437	-	-	437
Summer mcas fy11	4,870	-	-	4,870
Teaching American history - mpc fy11	179,507	-	-	179,507
Teaching American history fy11	107,864	-	-	107,864
Technology enhancement fy11	56,811	-	-	56,811
Title I ARRA fy11	56,135	-	-	56,135
Title I carryover fy11	2,248	-	-	2,248
Title I fy10	2,400	-	-	2,400
Title I fy11	163,647	-	-	163,647
Title II fy11	59,724	-	-	59,724
Title IIA fy10	227	-	-	227
Title IIB fy10	110,370	-	-	110,370
Title IIB fy11	70,688	-	-	70,688
Total	1,630,851	499,168	58,470	2,188,489

See accompanying notes to the basic financial statements.

(Concluded)

SCHEDULE 5**GATEWAY REGIONAL SCHOOL DISTRICT**

FIDUCIARY FUNDS

COMBINING SCHEDULE OF NET ASSETS

AS OF JUNE 30, 2011

	Assets		Liabilities		Net Assets	Total
	Pooled	Due to	Accounts		Held in	Liabilities
	Cash	Students	Payable	Total	Trust for	and Net
		Groups			Scholarships	Assets
<u>Agency funds:</u>						
High school student activities	30,397	30,397	-	30,397	-	30,397
Middle school student activities	7,579	7,579	-	7,579	-	7,579
Total agency funds	37,976	37,976	-	37,976	-	37,976
<u>Expendable trust funds:</u>						
Carmel scholarship	6,182	-	6,153	6,153	29	6,182
Champiney scholarship	1,400	-	1,400	1,400	-	1,400
Euler memorial scholarship	1,250	-	1,000	1,000	250	1,250
Total expendable trust funds	8,832	-	8,553	8,553	279	8,832
Total fiduciary funds	46,808	37,976	8,553	46,529	279	46,808

See accompanying notes to the basic financial statements.

SCHEDULE 6**GATEWAY REGIONAL SCHOOL DISTRICT**

PRIVATE-PURPOSE TRUST FUNDS

COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	Additions			Change	Net Assets	
	Donations	Interest	Deductions	in Net	June 30,	June 30,
				Assets	2010	2011
<u>Expendable trust funds:</u>						
Carmel scholarship	6,153	32	6,153	32	(3)	29
Euler memorial scholarship	1,250	-	1,000	250	-	250
Fox scholarship	595	-	595	-	-	-
Total expendable trust funds	7,998	32	7,748	282	(3)	279

See accompanying notes to the basic financial statements.

GATEWAY REGIONAL SCHOOL DISTRICT
RECONCILIATION OF TREASURER'S CASH
FOR THE YEAR ENDED JUNE 30, 2011

Bank checking accounts - interest bearing:		
United bank - general	(566,338)	
United bank - cafeteria	76,584	
United bank - student activities	986	
Unibank - general	341	
Unibank - cafeteria	1,017	
Unibank -student activities	15	
Total bank checking accounts - interest bearing		(487,395)
Liquid investments:		
Massachusetts municipal depository trust - general	2,080,661	
United bank - general	1,555,463	
United bank - carmel scholarship	6,208	
United bank - student activities	36,975	
Total liquid investment accounts		3,679,307
Total pooled cash		<u>3,191,912</u>

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

General fund.	1,747,850
School choice revolving fund.	604,713
Other nonmajor governmental funds	792,541
Subtotal	<u>3,145,104</u>
Trust and agency funds	46,808
Total pooled cash per treasurer's year-end cash report.	<u>3,191,912</u>

See accompanying notes to the basic financial statements.

SCHEDULE 8**GATEWAY REGIONAL SCHOOL DISTRICT****OTHER POST-EMPLOYMENT BENEFITS FUNDING PROGRESS (UNAUDITED)****AS OF JUNE 30, 2011**

Actuarial	Actuarial	Actuarial	Unfunded			UAAAL
Valuation	Value of	Accrued	Actuarial			as a
Date	Assets	Liabilities	Liabilities	Funded	Covered	Percentage
		(AAL)	(UAAL)	Ratio	Payroll	of Covered
						Payroll
07/01/08	\$ -	\$ 12,096,102	\$ 12,096,102	0.0%	\$ 6,974,000	173.4%
07/01/10	\$ -	\$ 12,336,449	\$ 12,336,449	0.0%	\$ 6,770,659	182.2%

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

To the School Committee of the
Gateway Regional School District:

We have audited the financial statements of the governmental 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 26, 2011. 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 11-1". 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 26, 2011.

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 it.

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 26, 2011

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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

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, 2011. 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, 2011.

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 26, 2011

GATEWAY REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

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:
 - 84.027 Special Education – Grants to States
 - 84.173 Special Education – Early Childhood Learning
 - 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

11-1 – Preparation of financial statements based on generally accepted accounting principles (this deficiency had been noted in the FY10 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 adequately trained 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, 2011

B FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

Significant Deficiencies (Continued)

11-1 – 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 AND OTHER AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Program or Award Amount	Fund Balance 07/01/10	Revenues			Expenditures			Fund Balance 06/30/11
					Federal	State	Other	Program Costs	Refunds to State	Other	
U.S. Department of Agriculture											
Passed Through State Dept of Elementary and Secondary Education:											
Food Distribution (NOTE C)	10.550	08-143-1	N/A	-	25,487	-	-	25,487	-	-	-
Child Nutrition Cluster:											
National School Breakfast Program	10.553	08-143-1	N/A	-	17,890	-	-	17,890	-	-	-
National School Lunch Program	10.555	08-143-1	N/A	79,044	141,874	6,298	192,636	141,874	-	201,545	76,433
Subtotal - Child Nutrition Cluster			N/A	79,044	159,764	6,298	192,636	159,764	-	201,545	76,433
TOTAL DEPARTMENT OF AGRICULTURE			-	79,044	185,251	6,298	192,636	185,251	-	201,545	76,433
U.S. Department of Education											
Passed Through State Dept of Elementary and Secondary Education:											
Title I, Part A Cluster:											
Title 1 - Grants to LEA's FY10	84.010	305-049-0-0672-K	180,996	2,400	-	-	-	2,400	-	-	-
Title 1 - Grants to LEA's FY11	84.010	305-048-1-0672-L	169,966	-	169,966	-	-	163,647	-	-	6,319
Title 1 - Carryover to FY11	84.010	305-383-1-0672-L	2,248	-	2,248	-	-	2,248	-	-	-
Title 1 -School Support FY11	84.010	305-029-1-0672-L	4,005	-	4,005	-	-	3,074	931	-	-
ARRA Title I - Grants to LEA's FY11	84.389	770-043-1-0672-L	56,135	-	56,135	-	-	56,135	-	-	-
Subtotal Title I, Part A Cluster			413,350	2,400	232,354	-	-	227,504	931	-	6,319
Special Education IDEA Cluster:											
Sped IDEA B - Grants to States FY10	84.027	240-106-0-0672-K	340,046	55,434	-	-	-	55,434	-	-	-
Sped IDEA B - Grants to States FY11	84.027	240-102-1-0672-L	339,569	-	189,122	-	-	168,410	-	-	20,712
Sped Early Childhood Learning FY11	84.173	262-11-Gateway	13,795	-	13,795	-	-	13,795	-	-	-
ARRA Idea Stimulus FY11	84.391	760-147-1-0672-L	158,066	-	158,066	-	-	158,066	-	-	-
ARRA Early Childhood FY11	84.392	762-11-Gateway	6,156	-	6,156	-	-	6,156	-	-	-
Subtotal Special Education IDEA Cluster			857,632	55,434	367,139	-	-	401,861	-	-	20,712
Program for Drug Free Schools FY11	84.186	332-096-1-0672-L	1,243	-	1,243	-	-	1,243	-	-	-

See accompanying notes to schedule of expenditures of federal awards.

(Continued)

GATEWAY REGIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Program or Award Amount	Fund Balance 07/01/10	Revenues			Expenditures			Fund Balance 06/30/11
					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 FY11 . . .	84.318	170-013-1-0672-L	63,000	-	63,000	-	-	56,811	-	-	6,189
Math/Science Partnerships FY10	84.366	150-006-0-0672-K	200,370	-	110,370	-	-	103,219	7,151	-	-
Math/Science Partnerships FY11	84.366	150-015-1-0672-L	172,379	-	83,998	-	-	70,688	-	-	13,310
Total Program 84.366			372,749	-	194,368	-	-	173,907	7,151	-	13,310
Teacher Quality FY10	84.367	140-073-0-0672-K	62,042	227	-	-	-	227	-	-	-
Teacher Quality FY11	84.367	140-089-1-0672-L	60,254	-	60,254	-	-	59,724	-	-	530
Total Program 84.367			122,296	227	60,254	-	-	59,951	-	-	530
ARRA SFSF FY11	84.394	780-100-1-0672-L	29,655	-	29,655	-	-	29,655	-	-	-
ARRA Program for Education Jobs FY11	84.410	206-154-1-0672-L	91,964	-	25,408	-	-	25,408	-	-	-
Subtotal - U.S. Department of Education Pass Through Programs			1,951,889	58,061	973,421	-	-	976,340	8,082	-	47,060
U.S. Department of Education Direct Programs:											
Teaching American History FY11 (NOTE D).	84.215	U215X070046	992,500	-	107,864	-	-	107,864	-	-	-
Teaching American History FY11 (NOTE D).	84.215	U215X100092	958,247	-	179,507	-	-	179,507	-	-	-
Total Program 84.215.			1,950,747	-	287,371	-	-	287,371	-	-	-
TOTAL DEPARTMENT OF EDUCATION			3,902,636	58,061	1,260,792	-	-	1,263,711	8,082	-	47,060
U.S. Department of Health and Human Services:											
Passed Through State Dept of Early Education and Care:											
Coordinated Family & Community FY11	93.596	237-11-Gateway	37,060	-	37,060	-	-	36,950	110	-	-
Inclusive Pre-Kindergarten FY11	93.596	391-11-Gateway	52,125	-	52,125	-	-	52,125	-	-	-
Total Program 93.596 (Child Care & Development).			89,185	-	89,185	-	-	89,075	110	-	-
TOTAL FEDERAL ASSISTANCE			3,991,821	137,105	1,535,228	6,298	192,636	1,538,037	8,192	201,545	123,493

See accompanying notes to schedule of expenditures of federal awards.

(Concluded)

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011. 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	Name	Subrecipients
84.215	Teaching American History	\$ 232,286

GATEWAY REGIONAL SCHOOL DISTRICT
SUMMARY OF PRIOR YEAR'S FINDINGS AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2011

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, 2010.

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 11-1" 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.

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

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 2010 Compliance Supplement applicable to Massachusetts School Districts for the year ended June 30, 2011. 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, 2011.

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 26, 2011

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, 2011, 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 26, 2011, 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:

Student Activity Cash Receipts Form

Prior Year's Comments:

Deficit in Carmel Scholarship Fund

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 26, 2011

CURRENT YEAR'S COMMENT

STUDENT ACTIVITIES CASH RECEIPTS FORM

Fiscal 2011 Observation: District policy requires that the Student Activities Coordinator ("SAC") initial the cash receipts form indicating she has counted the money remitted to her by the student advisor and agrees with the amount reported on the form. We noted four instances where the SAC failed to initial the form.

Fiscal 2011 Recommendation: The SAC should be reminded of the District policy requiring her to initial the cash receipts form to indicate she has counted and agreed the amount remitted to the amount reported on the form.

PRIOR YEAR'S COMMENT

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.

Fiscal 2011 Status: As a result of implementing the above recommendation, the Carmel scholarship trust fund had a fund balance of \$29 as of June 30, 2011.