

***GATEWAY REGIONAL SCHOOL DISTRICT***

**FINANCIAL STATEMENTS  
INCLUDING INDEPENDENT AUDITOR'S REPORTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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## INDEPENDENT AUDITOR'S REPORT

To the School Committee of the  
Gateway Regional School District:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gateway Regional School District of the Commonwealth of Massachusetts (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2-1 through 2-9 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.

### *Other Information*

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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and other schedules, and the schedule of expenditures of federal and other awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The combining and other schedules, and the schedule of expenditures of federal and other awards have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

***Stanley H. Kulas, CPA***

STANLEY H. KULAS  
Certified Public Accountant

September 19, 2013

**GATEWAY REGIONAL SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2013

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As management of the Gateway Regional School District of the Commonwealth of Massachusetts, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. 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 \$16,682,975 (Exhibit A).
- The District's total net assets for governmental activities decreased by \$778,805 (Exhibit B). The decrease was primarily caused by the recognition of \$819,300 of other post-employment obligations in the fiscal year.
- The District's long-term obligations increased by \$43,741 to \$14,564,481.

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 \$2,760,092 (Exhibit C), a decrease of \$232,167 in comparison with the prior year (Exhibit D).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$753,834 (Exhibit C), or 4.48% of next year's anticipated general fund expenditures of \$16,829,409.

**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.

**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 position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflow of resources, with the difference between these items reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2013

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**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, and the school choice revolving 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.

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, 2013**

**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 position, & 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 position, and statement of changes in fiduciary net position.
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, 2013**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position 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 net position was \$16,682,975.

By far the largest portion of the District's net position 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 POSITION		
Description	Amounts	
	2013	2012
Current and other assets .....	\$ 3,038,804	\$ 3,307,385
Capital assets .....	28,607,785	29,130,393
Total assets .....	<u>31,646,589</u>	<u>32,437,778</u>
Current liabilities .....	399,133	455,258
Noncurrent liabilities .....	14,564,481	14,520,740
Total liabilities .....	<u>14,963,614</u>	<u>14,975,998</u>
Net position:		
Invested in capital assets, net of related debt ..	18,463,608	18,232,340
Restricted .....	1,348,062	1,530,299
Unrestricted .....	(3,128,695)	(2,300,859)
Total net position .....	<u>\$ 16,682,975</u>	<u>\$ 17,461,780</u>

A portion of the District's net position at June 30, 2013 and at June 30, 2012 of \$1,348,062 and of \$1,530,299, respectively, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$(3,128,695) and of \$(2,300,859) at June 30, 2013 and at June 30, 2012, respectively, are further segregated by internal designations as shown below.

Description	2013	2012
Designated for subsequent year's budget .....	\$ 650,000	\$ 650,000
Undesignated and unreserved .....	(3,778,695)	(2,950,859)
Total unrestricted net assets .....	<u>\$ (3,128,695)</u>	<u>\$ (2,300,859)</u>



**GATEWAY REGIONAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Governmental activities.** Governmental activities decreased the District's net position by \$778,805 and \$764,980 for fiscal years 2013 (Exhibit B) and 2012, respectively. Key elements of these changes are as follows:

DISTRICT'S CHANGES IN NET POSITION		
Description	Amount	
	2013	2012
Revenues:		
Program revenues:		
Charges for services . . . . .	\$ 308,710	\$ 363,549
Member town assessments . . . . .	2,152,938	1,725,377
Investment income . . . . .	82	328
Other . . . . .	52,261	122,289
Operating grants and contributions . . . . .	5,566,976	5,545,946
General revenues:		
Assessments to member towns . . . . .	7,382,709	7,749,466
Grants and contributions not restricted to specific programs . . . . .	5,598,773	5,553,533
Miscellaneous . . . . .	13,753	20,123
Investment income . . . . .	10,234	17,079
Total revenues . . . . .	21,086,436	21,097,690
Expenses:		
Administration . . . . .	805,517	768,282
Instruction . . . . .	9,619,171	9,866,224
Ancillary school services . . . . .	1,098,445	1,095,476
Transportation . . . . .	1,611,629	1,632,618
Maintenance and operations . . . . .	1,335,062	1,342,458
Insurance and employee benefits . . . . .	5,579,284	5,343,016
Programs with other schools . . . . .	745,882	727,434
Capital improvements . . . . .	-	1,211
Unallocated depreciation . . . . .	787,964	774,839
Debt service . . . . .	282,287	311,112
Total expenses . . . . .	21,865,241	21,862,670
Change in net position . . . . .	\$ (778,805)	\$ (764,980)

- Revenues related to member town assessments increased by \$60,804 or 0.64%.
- Revenues related to operating grants and contributions increased by \$66,273 or 0.60%.
- There was a negligible increase of \$2,571 in expenses between years.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2013

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

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

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

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,760,092 (Exhibit C), a decrease in the balance of \$232,167 in comparison with the prior year (Exhibit D). A summary of the components comprising these balances is described below.

Description	2013	2012
Nonspendable food services inventory . . . . .	\$ 7,574	\$ 4,623
Restricted by grantors or enabling legislation . . . . .	1,348,684	1,534,555
Assigned to reduce subsequent year's assessments . . . . .	650,000	650,000
Unassigned - available for spending at the government's discretion . . . . .	753,834	803,081
Total fund balances . . . . .	<u>\$ 2,760,092</u>	<u>\$ 2,992,259</u>

The general fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance was \$1,403,834 (Exhibit C) of which \$753,834 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 budget for the next fiscal year. Unassigned fund balance represents 4.48% of total general fund's budget for the next fiscal year, while total fund balance represents 8.34% of that same amount.

The fund balance of the District's general fund decreased by \$49,247 during the current fiscal year (Exhibits D). Key factors in this change are (Exhibit E):

- Use of \$650,000 of beginning fund balance to finance current year's operations.
- Current expenditures for instruction, insurance, transportation and the like were \$563,976 less than budgeted.
- State aid transportation and Medicaid revenues were \$30,451 more than budgeted.
- Investment income and other revenues were \$6,194 more than budgeted.

State payments on-behalf of the teacher retirement program totaling \$3,137,600 and \$2,911,374 for fiscal 2013 and for fiscal 2012 were made directly by the Massachusetts Teachers Retirement System for the benefit of District teachers (Exhibit D).

The District received \$210,760 in school choice revenues during fiscal 2013 and spent \$231,933 of this revenue on instructional expenditures.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2013

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's original fiscal 2013 budget of \$16,444,123 did not change during the year. However, there were some changes reclassifying amounts between individual line items. (Exhibit E).

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The District's investment in capital assets as of the end of the current fiscal year is \$28,607,785 (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 acquisition of \$339,761 of equipment, vehicles, and fixtures; and the recognition of \$862,369 of depreciation expense. A summary of District capital assets at June 30, 2013 and June 30, 2012 is presented below.

DISTRICT'S CAPITAL ASSETS (net of depreciation)		
Description	Amount	
	2013	2012
Buildings . . . . .	\$ 38,741,947	\$ 38,741,947
Furniture and fixtures . . . . .	2,108,026	1,898,026
Technology . . . . .	1,935,304	1,880,161
Machinery and equipment . . . . .	357,809	294,307
Vehicles . . . . .	77,000	65,884
Land . . . . .	17,250	17,250
Gross capital assets . . . . .	43,237,336	42,897,575
Accumulated depreciation . . . . .	14,629,551	13,767,182
Net capital assets . . . . .	<u>\$ 28,607,785</u>	<u>\$ 29,130,393</u>

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

**Short-term debt.** The District had no short-term debt activity during fiscal year 2013.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
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**Long-term debt.** At the end of fiscal year 2013 and 2012, the District's governmental activities had long-term obligations outstanding of \$14,564,481 and \$14,520,740, respectively; comprised of the following components.

DISTRICT'S OUTSTANDING LONG-TERM OBLIGATION		
Description	Amount	
	2013	2012
Bonds payable. . . . .	\$ 6,430,000	\$ 6,905,000
Other post-employment obligations . . .	4,035,108	3,215,808
MSBA obligations. . . . .	3,604,200	3,931,855
Compensated absences . . . . .	377,000	398,000
Capital lease obligations. . . . .	109,977	61,198
Unamortized bond premium . . . . .	8,196	8,879
Total outstanding debt . . . . .	<u>\$ 14,564,481</u>	<u>\$ 14,520,740</u>

The District maintains an "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 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.

During fiscal year 2013 the following events occurred.

- The District had an increase in Chapter 70 revenue of \$45,240.
- The total general fund budget was \$16,444,123 including the use of \$650,000 from E&D to finance this budget.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2013

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These factors were considered in preparing the District's budget for the 2014 fiscal year.

- State chapter 70 funds for the District were expected to increase by \$27,100.
- Regional transportation reimbursement is expected to be funded at a total amount of \$606,881.
- The total fiscal 2014 budget is approximately 2.5% or \$410,427 higher than the fiscal 2013 budget resulting in an increase of \$306,501 or 3.21% in total assessment to the member 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 is expected to increase by approximately 1.45% providing an additional \$87,156 of assessment revenues.
- The District's proposed fiscal 2014 operating budget is requesting \$1,490,561 of town assessments above the minimum contribution amounts established by the Commonwealth.
- The District will be using \$650,000 out of excess and deficiency to reduce town assessments.
- The Town of Worthington requested to withdraw from the District. The school committee voted to approve the withdrawal. At its annual town meeting, the Town of Worthington approved its withdrawal; however, all of the six other member towns of the District did not approve the withdrawal. The Town of Worthington has now voted to proceed with special legislation to withdraw from the District.

**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 POSITION

JUNE 30, 2013

		Govern- mental Activities
<b>Assets:</b>		
Pooled cash . . . . .	2,598,466	
Due from other governments . . . . .	432,764	
Inventory . . . . .	7,574	
Capital assets - net of accumulated depreciation . . . . .	28,607,785	
Total assets . . . . .	31,646,589	
<b>Liabilities:</b>		
Accrued interest payable . . . . .	120,421	
Accounts payable . . . . .	42,962	
Accrued payroll . . . . .	73,485	
Payroll withholdings . . . . .	158,901	
Unearned revenue . . . . .	3,364	
<b>Noncurrent liabilities:</b>		
Due within one year:		
Unamortized premium from bond issuance . . . . .	683	
Bonds payable . . . . .	485,000	
MSBA obligation . . . . .	327,655	
Capital lease obligations . . . . .	61,563	
Total due within one year . . . . .	874,901	
Due in more than one year:		
Other post-employment benefit (OPEB) obligation . . . . .	4,035,108	
Unamortized premium from bond issuance . . . . .	7,513	
Bonds payable . . . . .	5,945,000	
MSBA obligation . . . . .	3,276,545	
Capital lease obligations . . . . .	48,414	
Compensated absences . . . . .	377,000	
Total due in more than one year . . . . .	13,689,580	
Total liabilities . . . . .	14,963,614	
<b>Net position:</b>		
Invested in capital assets, net of related debt . . . . .	18,463,608	
Restricted for:		
Grants and revolving activities . . . . .	1,339,336	
Inventory . . . . .	7,574	
Debt service . . . . .	1,152	
Total restricted . . . . .	1,348,062	
Unrestricted . . . . .	(3,128,695)	
Total net position . . . . .	16,682,975	

See accompanying notes to the basic financial statements.

## GATEWAY REGIONAL SCHOOL DISTRICT

## GOVERNMENT-WIDE

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

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 . . . . .	805,517	-	-	-	-	-	(805,517)
Instruction . . . . .	9,619,171	7,886	-	-	9,542	1,339,235	(8,262,508)
Ancillary school services . . . . .	1,098,445	271,348	-	82	3,066	262,334	(561,615)
Transportation . . . . .	1,611,629	-	1,161,299	-	-	569,251	118,921
Maintenance and operations . . . . .	1,335,062	29,476	-	-	39,653	-	(1,265,933)
Insurance and employee benefits . . . . .	5,579,284	-	-	-	-	3,396,156	(2,183,128)
Programs with other schools . . . . .	745,882	-	-	-	-	-	(745,882)
Capital improvements . . . . .	-	-	215,522	-	-	-	215,522
Unallocated depreciation (*) . . . . .	787,964	-	-	-	-	-	(787,964)
Principal associated with renovation bonds . . . . .	-	-	475,000	-	-	-	475,000
Interest associated with renovation bonds . . . . .	282,287	-	301,117	-	-	-	18,830
Totals . . . . .	21,865,241	308,710	2,152,938	82	52,261	5,566,976	(13,784,274)
General revenues:							
Assessments to member towns . . . . .							7,382,709
State and federal aid not restricted to specific purposes . . . . .							5,598,773
Miscellaneous . . . . .							13,753
Investment income . . . . .							10,234
Total general revenues . . . . .							13,005,469
Changes in net assets . . . . .							(778,805)
Net position - beginning of the year . . . . .							17,461,780
Net position - end of the year . . . . .							16,682,975

(\*) - This line item excludes depreciation expensed directly to various programs totaling \$74,405. (\$787,964 + \$74,405 = \$862,369 total depreciation expense).

See accompanying notes to the basic financial statements.

## GATEWAY REGIONAL SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2013

	General Fund	School Choice Revolving Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
<b>Assets</b>				
Pooled cash .....	1,354,925	597,752	645,789	2,598,466
Due from other governments .....	323,541	-	109,223	432,764
Inventory .....	-	-	7,574	7,574
Total assets .....	1,678,466	597,752	762,586	3,038,804
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable .....	42,246	-	716	42,962
Payroll withholdings .....	158,901	-	-	158,901
Accrued payroll .....	73,485	-	-	73,485
Unearned revenue .....	-	-	3,364	3,364
Total liabilities .....	274,632	-	4,080	278,712
Fund balances:				
Nonspendable .....	-	-	7,574	7,574
Spendable:				
Restricted .....	-	597,752	750,932	1,348,684
Assigned to reduce subsequent years' assessments .....	650,000	-	-	650,000
Unassigned - available for appropriation .....	753,834	-	-	753,834
Total fund balances .....	1,403,834	597,752	758,506	2,760,092
Total liabilities and fund balances .....	1,678,466	597,752	762,586	
<b>Reconciliation to government-wide statement of net position:</b>				
Amounts reported for governmental activities in the statement of net position 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 .....			43,237,336	
Less: Accumulated depreciation .....			(14,629,551)	
Subtotal .....				28,607,785
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 .....			(6,430,000)	
Massachusetts school building authority (MSBA) obligation .....			(3,604,200)	
Other post-employment benefits obligation .....			(4,035,108)	
Premiums from the issuance of bonds .....			(8,196)	
Compensated absences .....			(377,000)	
Capital lease obligations .....			(109,977)	
Subtotal .....				(14,564,481)
Accrued interest payable is not due in the current period and therefore is not reported in the governmental funds statements .....				
				(120,421)
Net position (Exhibit A) .....				16,682,975

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, 2013**

	General Fund	State Payments On-behalf of Teacher Retirement Fund	School Choice Revolving Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
<b>Revenues:</b>					
Town assessments .....	9,535,647	-	-	-	9,535,647
Intergovernmental .....	6,270,936	3,137,600	210,760	1,546,453	11,165,749
Investment income .....	9,551	-	-	82	9,633
Fees and charges for services .....	-	-	-	308,710	308,710
Other revenues .....	13,753	-	-	52,261	66,014
<b>Total revenues .....</b>	<b>15,829,887</b>	<b>3,137,600</b>	<b>210,760</b>	<b>1,907,506</b>	<b>21,085,753</b>
<b>Other financing sources:</b>					
Proceeds from capital lease obligations .....	-	-	-	109,837	109,837
Transfers from debt service fund .....	881	-	-	-	881
<b>Total other financing sources .....</b>	<b>881</b>	<b>-</b>	<b>-</b>	<b>109,837</b>	<b>110,718</b>
<b>Total revenues and other financing sources .....</b>	<b>15,830,768</b>	<b>3,137,600</b>	<b>210,760</b>	<b>2,017,343</b>	<b>21,196,471</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Administration .....	732,552	-	-	-	732,552
Instruction .....	7,633,731	-	231,933	1,181,908	9,047,572
Ancillary school services .....	448,274	-	-	580,204	1,028,478
Transportation .....	1,611,629	-	-	-	1,611,629
Maintenance and operations .....	1,204,776	-	-	47,704	1,252,480
Insurance and employee benefits .....	2,183,128	3,137,600	-	258,556	5,579,284
Programs with other schools .....	745,882	-	-	-	745,882
Capital improvements .....	215,390	-	-	109,837	325,227
Massachusetts school building authority payback .....	327,655	-	-	-	327,655
<b>Debt Service:</b>					
Principal payments associated with bonds .....	475,000	-	-	-	475,000
Interest associated with long-term debt .....	301,998	-	-	-	301,998
<b>Total expenditures .....</b>	<b>15,880,015</b>	<b>3,137,600</b>	<b>231,933</b>	<b>2,178,209</b>	<b>21,427,757</b>
Other financing uses - transfers to the general fund .....	-	-	-	881	881
<b>Total expenditures and other financing uses .....</b>	<b>15,880,015</b>	<b>3,137,600</b>	<b>231,933</b>	<b>2,179,090</b>	<b>21,428,638</b>
<b>Net changes in fund balances .....</b>	<b>(49,247)</b>	<b>-</b>	<b>(21,173)</b>	<b>(161,747)</b>	<b>(232,167)</b>
<b>Fund balance - beginning of the year .....</b>	<b>1,453,081</b>	<b>-</b>	<b>618,925</b>	<b>920,253</b>	
<b>Fund balance - end of the year .....</b>	<b>1,403,834</b>	<b>-</b>	<b>597,752</b>	<b>758,506</b>	

**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 .....	(522,608)
Net change in certain accrued liabilities .....	(24,713)
Capital lease obligation proceeds and amortization of bond premiums .....	683
<b>Change in net assets of the government-wide statement of activities (Exhibit B) .....</b>	<b>(778,805)</b>

See accompanying notes to the basic financial statements.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE, BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Revised Budget	Actual	Over/ (Under) Budget
Revenues - budgetary basis:				
Town assessments:				
Blandford . . . . .	1,490,294	1,490,294	1,490,294	-
Chester . . . . .	1,408,652	1,408,652	1,408,652	-
Huntington . . . . .	2,140,838	2,140,838	2,140,838	-
Middlefield . . . . .	505,330	505,330	505,330	-
Montgomery . . . . .	1,025,707	1,025,707	1,025,707	-
Russell . . . . .	1,805,712	1,805,712	1,805,712	-
Worthington . . . . .	1,159,114	1,159,114	1,159,114	-
Total town assessments . . . . .	9,535,647	9,535,647	9,535,647	-
Commonwealth of Massachusetts - state aid:				
Chapter 70 . . . . .	5,598,773	5,598,773	5,598,773	-
Transportation . . . . .	521,712	521,712	550,177	28,465
Homeless transportation . . . . .	-	-	19,074	19,074
Medicaid . . . . .	120,000	120,000	102,912	(17,088)
Total Commonwealth of Massachusetts - state aid . . . . .	6,240,485	6,240,485	6,270,936	30,451
Miscellaneous:				
Investment income . . . . .	17,110	17,110	9,551	(7,559)
Other . . . . .	-	-	13,753	13,753
Total miscellaneous . . . . .	17,110	17,110	23,304	6,194
Total revenues . . . . .	15,793,242	15,793,242	15,829,887	36,645
Other financing sources:				
Transfers from beginning fund balance . . . . .	650,000	650,000	650,000	-
Transfers from debt service fund . . . . .	881	881	881	-
Total other financing sources . . . . .	650,881	650,881	650,881	-
Total revenues and other financing sources - budgetary basis . . . . .	16,444,123	16,444,123	16,480,768	36,645
Expenditures - budgetary basis:				
Current:				
Administration . . . . .	727,018	740,272	732,552	(7,720)
Instruction . . . . .	7,967,690	7,875,557	7,633,731	(241,826)
Ancillary school services . . . . .	447,051	460,683	448,274	(12,409)
Transportation . . . . .	1,683,011	1,683,011	1,611,629	(71,382)
Maintenance and operations . . . . .	1,359,737	1,364,281	1,204,776	(159,505)
Insurance and employee benefits . . . . .	2,290,558	2,254,262	2,183,128	(71,134)
Programs with other schools . . . . .	648,883	745,882	745,882	-
Total current . . . . .	15,123,948	15,123,948	14,559,972	(563,976)
Capital improvements . . . . .	215,522	215,522	215,390	(132)
Debt service:				
Principal - construction and renovation obligations . . . . .	475,000	475,000	475,000	-
Interest - construction and renovation obligations . . . . .	301,998	301,998	301,998	-
Total debt service . . . . .	776,998	776,998	776,998	-
Massachusetts school building authority paybacks . . . . .	327,655	327,655	327,655	-
Total expenditures - budgetary basis . . . . .	16,444,123	16,444,123	15,880,015	(564,108)
Net changes in fund balance . . . . .	-	-	600,753	600,753

Reconciliation of GAAP basis to budgetary basis:		(See Exhibit D) Transfers From		
	GAAP	Beginning Fund	Budgetary	
Description	Basis	Balance	Basis	
Revenues and other financing sources . . . . .	15,830,768	650,000	16,480,768	
Expenditures and other financing uses . . . . .	15,880,015	-	15,880,015	
Net changes in fund balance . . . . .	(49,247)	650,000	600,753	

See accompanying notes to the basic financial statements.

**EXHIBIT F**

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2013**

	Private- Purpose Trust Expendable Scholarship Funds	Agency Student Activities Funds	Totals
<b>Assets</b>			
Pooled cash. ....	12,241	51,869	64,110
<b>Liabilities</b>			
Due to students .....	-	51,869	51,869
Accounts payable .....	12,150	-	12,150
Total liabilities .....	12,150	51,869	64,019
Net position - held in trust for scholarships .....	91	-	91

See accompanying notes to the basic financial statements.

**EXHIBIT G**

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Private- Purpose Trust Expendable Scholarship Funds
<b>Additions:</b>	
Donations .....	11,650
Interest .....	34
Total additions .....	11,684
Deductions - scholarships .....	11,900
Change in net assets .....	(216)
Net position - beginning of the year .....	307
Net position - end of the year .....	91

See accompanying notes to the basic financial statements.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

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

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

The District 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 position 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, 2013

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**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, deferred outflows of resources, liabilities, deferred inflow of resources, 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 and deferred outflow of resources, liabilities and deferred inflow of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets and deferred outflow of resources, revenues, 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, 2013

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**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.

Nonmajor funds

The District reports the following nonmajor funds.

Special revenue funds:  
    All revolving funds  
    All federal, state, and other grant funds  
Capital project fund – capital leasing  
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, 2013

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

**C. Basis of accounting**

Government-wide financial statements

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in 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 unearned revenue. Amounts received prior to the entitlement period are also recorded as unearned 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, 2013**

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**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 position 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 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, 2013**

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

**E. Assets, liabilities, and net position 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.

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, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital 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, 2013**

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

**E. Assets, liabilities, and net position 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 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 recognized as an outflow of resources in the period incurred.

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 and discounts incurred on debt issuances are reported as other financing sources and other financing uses, respectively. 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 position which represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. It is 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 position – is reported when there are limitations imposed on its 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 position – consists of all other net position equity that does 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, 2013**

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

**E. Assets, liabilities, and net position 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, 2013**

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

**E. Assets, liabilities, and net position 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 capital assets. Actual results may differ from those estimates.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

### Explanation of differences between the net changes in fund balances for governmental funds (Exhibit D) and the change in net position 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 position of the government-wide statement of activities (Exhibit B) is explained below.

Net changes in fund balances - total governmental funds (Exhibit D) . . . . . \$ (232,167)

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

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

Additions to capital assets . . . . .	339,761	
Depreciation expense . . . . .	<u>(862,369)</u>	
Totals . . . . .		(522,608)

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 . . . . .	475,000	
Increase in other post-employment benefit obligation . . . . .	(819,300)	
Issuance of capital lease obligations . . . . .	(109,837)	
Decrease in compensated absence accrual . . . . .	21,000	
Payment of principal associated with outstanding MSBA obligation . . . . .	327,655	
Payment of capital lease obligations . . . . .	61,058	
Decrease in interest payable accrual . . . . .	<u>19,711</u>	
Totals . . . . .		(24,713)

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

Amortization of premiums associated with the issuance of bonds . . . . .	<u>683</u>	
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Change in net position of the government-wide statement of activities (Exhibit B) . . . . . \$ (778,805)

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

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

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

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

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

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

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

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

**A. Budgetary information (continued)**

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

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

Encumbrances outstanding at year-end represent the estimated amount of expenditures ultimately to result if outstanding purchase orders at year-end are filled and if contracts in progress at year-end are completed. For GAAP purposes, encumbrances outstanding at year-end do not constitute expenditures or liabilities and, therefore, are presented in the combined financial statements as a component of committed or assigned fund equity. As of June 30, 2013 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 F Fiduciary Funds	Totals
Toatal deposits in institutions - Insured (FDIC) (SIF) . . . . .	\$ 3,291,617	\$ 66,390	\$ 3,358,007
Various reconciling items . . . . .	(693,151)	(2,280)	(695,431)
Total cash . . . . .	<u>\$ 2,598,466</u>	<u>\$ 64,110</u>	<u>\$ 2,662,576</u>

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

**B. Receivables**

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

Description	Exhibit C			Exhibit A
	General Fund	Other Governmental Funds	Totals	Government Wide Financial Statements
Transportation reimbursement - state DESE . . . .	\$ 323,541	\$ -	\$ 323,541	\$ 323,541
Circuit breaker - state DESE . . . . .	-	65,978	65,978	65,978
Food services - state DESE . . . . .	-	35,375	35,375	35,375
Coordinated family - state DESE . . . . .	-	1,124	1,124	1,124
TAH - federal department of education . . . . .	-	6,746	6,746	6,746
Totals . . . . .	<u>\$ 323,541</u>	<u>\$ 109,223</u>	<u>\$ 432,764</u>	<u>\$ 432,764</u>

**C. Capital Assets**

Asset recognition

The District's capital asset activity for the year ended June 30, 2013 was as follows.

Description	Beginning Balance	Additions	Ending Balance
Capital assets, not being depreciated:			
Land . . . . .	\$ 17,250	\$ -	\$ 17,250
Capital assets, being depreciated:			
Buildings . . . . .	38,741,947	-	38,741,947
Technology . . . . .	1,880,161	55,143	1,935,304
Machinery and equipment . . . . .	294,307	63,502	357,809
Furniture and fixtures . . . . .	1,898,026	210,000	2,108,026
Vehicles . . . . .	65,884	11,116	77,000
Total capital assets, being depreciated:	<u>42,880,325</u>	<u>339,761</u>	<u>43,220,086</u>
Total capital assets, gross . . . . .	<u>42,897,575</u>	<u>339,761</u>	<u>43,237,336</u>
Less accumulated depreciation for:			
Buildings . . . . .	(9,738,831)	(774,839)	(10,513,670)
Technology . . . . .	(1,809,223)	(37,566)	(1,846,789)
Machinery and equipment . . . . .	(269,174)	(29,329)	(298,503)
Furniture and fixtures . . . . .	(1,894,968)	(15,164)	(1,910,132)
Vehicles . . . . .	(54,986)	(5,471)	(60,457)
Total accumulated depreciation . . . . .	<u>(13,767,182)</u>	<u>(862,369)</u>	<u>(14,629,551)</u>
Total capital assets, net . . . . .	<u>\$ 29,130,393</u>	<u>\$ (522,608)</u>	<u>\$ 28,607,785</u>



**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**4. DETAILED NOTES ON ALL FUNDS (continued)****C. Capital Assets (continued)**

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

Description	Balance
Administration . . . . .	\$ 23,203
Instruction . . . . .	39,166
Maintenance and operations . . . . .	12,036
Subtotal . . . . .	74,405
Unallocated . . . . .	787,964
Total depreciation expense . . . . .	<u>\$ 862,369</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. During the fiscal year \$881 was transferred from the debt service fund into the general fund to finance debt service expenditures.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

**E. Long-term debt**

Changes in long-term liabilities – governmental activities

Long-term liability activity for the year ended June 30, 2013, was as follows:

Description				Ending Balance	Due Within One Year	Due After One Year	FY 2013
	Beginning Balance	Additions	Reductions				Interest Expense
Bonds payable . . . . .	\$ 6,905,000	\$ -	\$ 475,000	\$ 6,430,000	\$ 485,000	\$ 5,945,000	\$ 301,998
Other post-employment benefits . .	3,215,808	819,300	-	4,035,108	-	4,035,108	-
Compensated absences . . . . .	398,000	-	21,000	377,000	-	377,000	-
Capital lease obligations . . . . .	61,198	109,837	61,058	109,977	61,563	48,414	1,998
MSBA obligations . . . . .	3,931,855	-	327,655	3,604,200	327,655	3,276,545	-
Unamortized bond premium . . . . .	8,879	-	683	8,196	683	7,513	-
Total long-term liabilities . . . . .	<u>\$ 14,520,740</u>	<u>\$ 929,137</u>	<u>\$ 885,396</u>	<u>\$ 14,564,481</u>	<u>\$ 874,901</u>	<u>\$ 13,689,580</u>	<u>\$ 303,996</u>

The annual interest rate on the District's bonds payable ranges from 3.00% to 5.24%. As in prior years, the general operating fund's assets were used in fiscal 2013 to pay current compensated absence and capital lease obligations.

The District has various lease agreements to finance the acquisition of computers, copiers and 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, totaling \$217,027, of these items has been capitalized and is being depreciated.

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, the Massachusetts School Building Authority (MSBA) is requiring that the District pay back to the MSBA \$4,587,165 of grants it gave to the District in prior years to finance leasehold improvements associated with these three school buildings. Beginning in fiscal 2011 the District made the first of fourteen annual, interest-free, installments of \$327,655.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

**E. 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, 2013.

Fiscal Year	Bond Indebtedness			MSBA Obligation		
	Principal	Interest	Total	Principal	Interest	Total
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. . . .	\$ 6,430,000	\$ 1,824,699	\$ 8,254,699	\$ 3,604,200	\$ -	\$ 3,604,200

The following is a schedule of capital lease obligations as of June 30, 2013.

Fiscal Year	Capital Lease Obligations Payable to Vendors		
	Principal	Interest	Total
2014 . . . . .	\$ 61,563	\$ 4,159	\$ 65,722
2015 . . . . .	34,368	1,447	35,815
2016 . . . . .	14,046	565	14,611
Total. . . . .	\$ 109,977	\$ 6,171	\$ 116,148

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 \$8,196.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

**F. Net position**

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

	Exhibit C	Net Position (Exhibit A)		
	Fund Balances	Invested in capital assets net of related debt	Restricted	Unrestricted
General fund:				
Unassigned-available for appropriation. . . . .	\$ 753,834	\$ -	\$ -	\$ 753,834
Committed to:				
Reduce subsequent years' assessments . . . . .	650,000	-	-	650,000
School choice fund - restricted for expenditures . . . . .	597,752	-	597,752	-
Other nonmajor funds:				
Nonspendable - inventory . . . . .	7,574	-	7,574	-
Restricted for expenditures. . . . .	750,932	-	750,932	-
Subtotals . . . . .	2,760,092	-	1,356,258	1,403,834
Adjustments required by GASB #34:				
Capital assets . . . . .	-	28,607,785	-	-
Indebtedness associated with capital assets:				
Bonds payable . . . . .	-	(6,430,000)	-	-
MSBA obligations . . . . .	-	(3,604,200)	-	-
Capital lease obligations . . . . .	-	(109,977)	-	-
Other post-employment benefits obligation . . . . .	-	-	-	(4,035,108)
Compensated absences . . . . .	-	-	-	(377,000)
Unamortized bond premium . . . . .	-	-	(8,196)	-
Accrued interest . . . . .	-	-	-	(120,421)
Total. . . . .	<u>\$ 2,760,092</u>	<u>\$ 18,463,608</u>	<u>\$ 1,348,062</u>	<u>\$ (3,128,695)</u>

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

**G. 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 . . . . .	\$ -	\$ 597,752	\$ 239,952	\$ 837,704
Ancillary school services . . . . .	-	-	377,167	377,167
Maintenance and operations . . . . .	-	-	124,465	124,465
Debt service . . . . .	-	-	9,348	9,348
Total restricted . . . . .	-	597,752	750,932	1,348,684
Assigned to reduce subsequent year's assessments . . .	650,000	-	-	650,000
Unassigned - available for appropriations . . . . .	753,834	-	-	753,834
Nonspendable - inventory . . . . .	-	-	7,574	7,574
Total fund balances . . . . .	\$ 1,403,834	\$ 597,752	\$ 758,506	\$ 2,760,092

**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, 2013**

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**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, 2013 the District's insurance consultants have reported that HCHG has an accumulated surplus of approximately \$26,243,242.

**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 2013 the System required the District to pay a contribution rate equal to 3.24% of all required employer contributions compared to 3.17% for fiscal 2012 and 3.35% for fiscal 2011. Payments for the School District's share of pension costs were \$492,928, \$423,296, and \$425,880 for fiscal years 2013, 2012, and 2011, 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, 2013

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**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 \$3,137,600 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, 2012 - Pre 65 Plans:			
Blue Care (PPO) .....	\$ 6,972	N/A	\$ 19,096
Network Blue .....	\$ 6,132	\$ 14,279	\$ 17,703
As of January 1, 2012 - 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, 2013**

**5. OTHER INFORMATION (continued)**

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

Annual OPEB Cost and Net OPEB Obligation. For the fiscal year ended June 30, 2013.

Description	Amount
Annual Required Contribution (ARC) . . . . .	\$ 1,253,204
Interest on Net OPEB Obligation . . . . .	128,632
Adjustment to ARC . . . . .	(150,796)
Annual OPEB Cost (Expense) . . . . .	1,231,040
Expected Benefit Payouts (assumed middle of year) . . . .	411,740
Increase in Net OPEB Obligation . . . . .	819,300
Net OPEB Obligation - Beginning of the Year . . . . .	3,215,808
Net OPEB Obligation - End of the Year . . . . .	<u>\$ 4,035,108</u>

Funding Status. The funded status of the combined plans as of July 1, 2012 (the actuarial valuation date) is shown below.

Description	Amount
Actuarial Accrued Liability (AAL) . . . . .	\$ 14,126,226
Actual Value of Plan Assets . . . . .	-
Unfunded Actuarial Accrued Liability (UAAL) . . . . .	<u>\$ 14,126,226</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL) . . . . .	0.0%
Covered Payroll (Active Plan Members) . . . . .	6,678,683
UAAL as a Percentage of Covered Payroll . . . . .	211.5%

The annual OPEB cost, contributions made to the plan, the percentage of annual OPEB cost contributed to the plan, the net OPEB obligation, covered payroll, and OPEB cost as a percentage of covered payroll in the past three years is shown below.

Year Ended June 30	Annual OPEB Cost	Actual Contribution Made	Percentage Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost as a % of Payroll
2011	\$ 1,127,766	\$ 348,222	30.88%	\$ 2,417,637	\$ 6,770,659	16.66%
2012	\$ 1,182,585	\$ 384,414	32.51%	\$ 3,215,808	\$ 6,939,925	17.04%
2013	\$ 1,231,040	\$ 411,740	33.45%	\$ 4,035,108	\$ 6,678,683	18.43%



**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**5. OTHER INFORMATION (continued)**

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

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plans and the annual required contributions of the employees are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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, 2012 actuarial valuation the following methods and assumptions were used.

Description	Assumption
Funding Interest Rate . . . . .	4.00%
2012 Medical Trend Rate . . . . .	9.00%
Ultimate Trend Rate . . . . .	5.00%
Year Ultimate Trend Rate Reached . . . . .	2020
Actuarial Cost Method . . . . .	Entry Age Normal
Remaining Amortization Period at 06/30/13. . . . .	25.53
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, 2013

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**5. OTHER INFORMATION (continued)**

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

Membership in the Plans. Plan memberships consist of the following as of September 1, 2012.

Description	Active Employees	Current Retirees
Average age at hire:		
Males .....	37.4	N/A
Females .....	35.8	N/A
Totals .....	36.1	N/A
Average service:		
Males .....	11.2	N/A
Females .....	13.4	N/A
Totals .....	13.0	N/A
Average current age:		
Males .....	48.6	39.7
Females .....	49.2	69.2
Totals .....	49.1	69.4

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

During fiscal year 2013 the following GASB pronouncements were implemented.

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. This statement had no reporting implications for the District.

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. 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, 2013

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**5. OTHER INFORMATION (continued)**

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

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. This statement had no reporting implications for the District.

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" issued June 2011. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. This statement is effective for periods beginning after December 15, 2011. This statement required changes in account captions in the statement of net position.

GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions" issued June 2011. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement is effective for periods beginning after June 15, 2011. This statement had no reporting implications for the District.

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities" issued April 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or as deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. The District decided to implement this statement early; however this statement had no reporting implications for the District.

Other Future GASB Pronouncements

GASB Statement No. 66, "Technical Corrections – 2012 an Amendment of GASB Pronouncements #10 and #62" issued April 2012. The objective of this Statement is to improve accounting and financial reporting by state and local governments by resolving conflicting guidance that resulted from the issuance of two pronouncements – Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for periods beginning after December 15, 2012. Management does not believe this pronouncement will have a significant impact on the basic financial statements.

GASB Statement No. 67, "Financial Reporting for Pension Plans" issued August 2012. The objective of this Statement is to revise existing accounting and financial reporting requirements for most pension plans. This statement is effective for periods beginning after June 15, 2013. 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, 2013

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**5. OTHER INFORMATION (continued)**

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

Other Future GASB Pronouncements (continued)

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" issued August 2012. The objective of this Statement is to revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits. This statement is effective for periods beginning after June 15, 2014. Management believes this pronouncement will have a significant impact on the basic financial statements.

GASB Statement No. 69, "Government Combinations and Disposals of Government Operation" issued January 2013. The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term government combinations is used in this Statement to refer to a variety of arrangements including mergers and acquisitions. Government combinations also include transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide these services. This statement is effective for periods beginning after December 15, 2013. Management does not believe this pronouncement will have a significant impact on the basic financial statements.

**F. Subsequent Events**

Failure to Pass the Fiscal Year 2014 Budget

As of the date of this report the District's member towns have failed to pass the FY14 budget as adopted by the District's school committee. As a result, until the member towns pass the fiscal 2014 budget, state regulations require that the District operate, in fiscal year 2014, under the provisions of its fiscal year 2013 budget. Therefore at the end of any month the District cannot have incurred more expenditures in the general fund than the percentage of months passed during the fiscal year to its total fiscal 2013 budget of \$16,444,123.

Town of Worthington's Attempt to Withdraw from the District

The Town of Worthington requested to withdraw from the District. The school committee voted to approve the withdrawal. At its annual town meeting, the Town of Worthington approved its withdrawal; however, all of the six other member towns of the District did not approve the withdrawal. As a result, based on the provisions of the District Agreement, the Town of Worthington's attempt to withdraw from the District failed. The Town of Worthington has now voted to proceed with special legislation to withdraw from the District.

(CONCLUDED)

**SCHEDULE 1**

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF BALANCE SHEETS**  
**AS OF JUNE 30, 2013**

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<u>Assets</u>			
Pooled cash .....	636,441	9,348	645,789
Due from other governments .....	109,223	-	109,223
Inventory .....	7,574	-	7,574
Total assets .....	753,238	9,348	762,586
<u>Liabilities and fund balances</u>			
Liabilities:			
Accounts payable .....	716	-	716
Unearned revenue .....	3,364	-	3,364
Total liabilities .....	4,080	-	4,080
Fund balances:			
Nonspendable .....	7,574	-	7,574
Restricted .....	741,584	9,348	750,932
Total fund balances .....	749,158	9,348	758,506
Total liabilities and fund balances .....	753,238	9,348	762,586

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, 2013**

	Special Revenue Funds	Capital Project Leased Equipment Fund	Debt Service Fund	Total Other Governmental Funds
Revenues:				
Intergovernmental . . . . .	1,546,453	-	-	1,546,453
Investment income . . . . .	82	-	-	82
Fees and charges for services . . . . .	308,710	-	-	308,710
Other . . . . .	52,261	-	-	52,261
Total revenues . . . . .	1,907,506	-	-	1,907,506
Other financing sources:				
Proceeds from capital lease obligations . . . . .	-	109,837	-	109,837
Total revenues and other financing sources . . . . .	1,907,506	109,837	-	2,017,343
Expenditures:				
Instruction . . . . .	1,181,908	-	-	1,181,908
Ancillary school services . . . . .	580,204	-	-	580,204
Maintenance and operations . . . . .	47,704	-	-	47,704
Insurance and employee benefits . . . . .	258,556	-	-	258,556
Capital improvements . . . . .	-	109,837	-	109,837
Total expenditures . . . . .	2,068,372	109,837	-	2,178,209
Other financing uses:				
Transfers to the general fund . . . . .	-	-	881	881
Total expenditures and other financing uses . . . . .	2,068,372	109,837	881	2,179,090
Net changes in fund balances . . . . .	(160,866)	-	(881)	(161,747)
Fund balance - beginning of the year . . . . .	910,024	-	10,229	920,253
Fund balance - end of the year . . . . .	749,158	-	9,348	758,506

See accompanying notes to the basic financial statements.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING SCHEDULE OF BALANCE SHEETS**  
**JUNE 30, 2013**

	Assets				Liabilities			Fund Balances			Total
	Due from								Restricted		Liabilities
	Pooled	Other	Inventory	Total	Accounts	Unearned		Non-	(See page 6-4		and Fund
	Cash	Governments			Payable	Revenue	Total	Spendable	for details)	Total	Balances
<u>Revolving funds:</u>											
Adult education . . . . .	973	-	-	973	-	-	-	-	973	973	973
Athletic . . . . .	164,825	-	-	164,825	680	-	680	-	164,145	164,145	164,825
Building use . . . . .	64,708	-	-	64,708	-	-	-	-	64,708	64,708	64,708
Chester elementary . . . . .	6,496	-	-	6,496	-	-	-	-	6,496	6,496	6,496
Circuit breaker . . . . .	134,540	65,978	-	200,518	-	-	-	-	200,518	200,518	200,518
District donation . . . . .	1,977	-	-	1,977	-	-	-	-	1,977	1,977	1,977
Emergency planning . . . . .	3,844	-	-	3,844	-	-	-	-	3,844	3,844	3,844
Food services . . . . .	(12,512)	35,375	7,574	30,437	-	3,364	3,364	7,574	19,499	27,073	30,437
Friends of gateway . . . . .	1,115	-	-	1,115	-	-	-	-	1,115	1,115	1,115
Henderson memorial . . . . .	37	-	-	37	-	-	-	-	37	37	37
High school foundation for excellence . . . . .	377	-	-	377	-	-	-	-	377	377	377
High school lost textbooks . . . . .	380	-	-	380	-	-	-	-	380	380	380
Insurance . . . . .	42,857	-	-	42,857	-	-	-	-	42,857	42,857	42,857
Littleville elementary . . . . .	15,688	-	-	15,688	-	-	-	-	15,688	15,688	15,688
Littleville wrap around day care . . . . .	162,418	-	-	162,418	-	-	-	-	162,418	162,418	162,418
Lost library books . . . . .	293	-	-	293	-	-	-	-	293	293	293
MASCA summer camp . . . . .	500	-	-	500	-	-	-	-	500	500	500
Mass culture council . . . . .	878	-	-	878	-	-	-	-	878	878	878
Middle school lost textbooks . . . . .	20	-	-	20	-	-	-	-	20	20	20
Parking fees . . . . .	14,592	-	-	14,592	-	-	-	-	14,592	14,592	14,592
Preschool . . . . .	36	-	-	36	36	-	36	-	-	-	36
Recycling . . . . .	2,308	-	-	2,308	-	-	-	-	2,308	2,308	2,308
School to work . . . . .	593	-	-	593	-	-	-	-	593	593	593
Student identification . . . . .	13,746	-	-	13,746	-	-	-	-	13,746	13,746	13,746
Technology . . . . .	361	-	-	361	-	-	-	-	361	361	361
Tuition . . . . .	10,246	-	-	10,246	-	-	-	-	10,246	10,246	10,246
Wellness center . . . . .	12,471	-	-	12,471	-	-	-	-	12,471	12,471	12,471
<u>Federal/state/other grants:</u>											
Coordinated family and community fy13 . . . . .	(1,124)	1,124	-	-	-	-	-	-	-	-	-
H1N1 fy11 . . . . .	544	-	-	544	-	-	-	-	544	544	544
TAH - memorializing promise & conflict fy13 . . . . .	(6,746)	6,746	-	-	-	-	-	-	-	-	-
Total . . . . .	636,441	109,223	7,574	753,238	716	3,364	4,080	7,574	741,584	749,158	753,238

See accompanying notes to the basic financial statements.

(Continued)

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING SCHEDULE OF BALANCE SHEETS**  
**JUNE 30, 2013**

	Fund Balance Restricted for			
		Ancillary	Maintenance	
		School	and	Totals
	Instruction	Services	Operations	(See page 6-3)
<u>Revolving funds:</u>				
Adult education . . . . .	973	-	-	973
Athletic . . . . .	-	164,145	-	164,145
Building use . . . . .	-	-	64,708	64,708
Chester elementary . . . . .	6,496	-	-	6,496
Circuit breaker . . . . .	200,518	-	-	200,518
District donation . . . . .	1,977	-	-	1,977
Emergency planning . . . . .	-	3,844	-	3,844
Food services . . . . .	-	19,499	-	19,499
Friends of gateway . . . . .	1,115	-	-	1,115
Henderson memorial . . . . .	37	-	-	37
High school foundation for excellence . . . . .	377	-	-	377
High school lost textbooks . . . . .	380	-	-	380
Insurance . . . . .	-	-	42,857	42,857
Littleville elementary . . . . .	15,688	-	-	15,688
Littleville wrap around day care . . . . .	-	162,418	-	162,418
Lost library books . . . . .	293	-	-	293
MASCA summer camp . . . . .	-	500	-	500
Mass culture council . . . . .	878	-	-	878
Middle school lost textbooks . . . . .	20	-	-	20
Parking fees . . . . .	-	-	14,592	14,592
Recycling . . . . .	-	-	2,308	2,308
School to work . . . . .	593	-	-	593
Student identification . . . . .	-	13,746	-	13,746
Technology . . . . .	361	-	-	361
Tuition . . . . .	10,246	-	-	10,246
Wellness center . . . . .	-	12,471	-	12,471
<u>Federal/state/other grants:</u>				
H1N1 fy11 . . . . .	-	544	-	544
Total . . . . .	239,952	377,167	124,465	741,584

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, 2013**

	Revenues (See page 6-7 and page 6-8 for details)	Expenditures (See page 6-9 and page 6-10 for details)	Net Changes in Fund Balances	Fund Balance	
				June 30, 2012	June 30, 2013
<b>Revolving funds:</b>					
Adult education . . . . .	1	-	1	972	973
Athletic . . . . .	37,884	25,749	12,135	152,010	164,145
Building use . . . . .	17,446	25,046	(7,600)	72,308	64,708
Chester elementary . . . . .	810	436	374	6,122	6,496
Circuit breaker . . . . .	211,925	298,497	(86,572)	287,090	200,518
District donation . . . . .	2,636	997	1,639	338	1,977
Emergency planning . . . . .	-	419	(419)	4,263	3,844
Food service . . . . .	309,933	345,565	(35,632)	62,705	27,073
Friends of gateway . . . . .	-	26	(26)	1,141	1,115
Henderson memorial . . . . .	-	20	(20)	57	37
High school foundation for excellence . . . . .	-	103	(103)	480	377
High school lost textbooks . . . . .	345	157	188	192	380
Insurance . . . . .	29,672	7,444	22,228	20,629	42,857
Littleville elementary . . . . .	2,256	1,086	1,170	14,518	15,688
Littleville wrap around day care . . . . .	67,997	76,172	(8,175)	170,593	162,418
Lost library books . . . . .	187	-	187	106	293
MASCA summer camp . . . . .	-	-	-	500	500
Mass cultural council . . . . .	1,000	600	400	478	878
Middle school lost textbooks . . . . .	-	-	-	20	20
Middle school vanderbilt . . . . .	-	208	(208)	208	-
Parking fees . . . . .	12,030	6,461	5,569	9,023	14,592
Preschool . . . . .	1,594	1,903	(309)	309	-
Recycling . . . . .	2,134	906	1,228	1,080	2,308
School to work . . . . .	-	269	(269)	862	593
Student identification . . . . .	89	441	(352)	14,098	13,746
Technology . . . . .	5,374	9,394	(4,020)	4,381	361
Tuition . . . . .	6,292	12,015	(5,723)	15,969	10,246
Wellness center . . . . .	16,535	30,364	(13,829)	26,300	12,471
WMECO . . . . .	7,847	7,847	-	-	-
Subtotal carried forward . . . . .	733,987	852,125	(118,138)	866,752	748,614

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, 2013**

	Revenues (See page 6-7 and page 6-8 for details)	Expenditures (See page 6-9 and page 6-10 for details)	Net Changes in Fund Balances	Fund Balance	
				June 30, 2012	June 30, 2013
Subtotal carried forward . . . . .	733,987	852,125	(118,138)	866,752	748,614
<b><u>Federal/state/other grants:</u></b>					
Academic support fy13 . . . . .	3,212	3,212	-	-	-
Community partners fy13 . . . . .	52,125	52,125	-	-	-
Coordinated family and community fy13 . . . . .	36,422	36,422	-	-	-
Educational jobs fy13 . . . . .	258,556	258,556	-	-	-
H1N1 fy11 . . . . .	-	169	(169)	713	544
Health fy13 . . . . .	49,200	49,200	-	-	-
Mass tiered system of support fy12 . . . . .	12,439	17,544	(5,105)	5,105	-
Sped early childhood fy13 . . . . .	13,750	13,750	-	-	-
Sped early childhood prog improvement fy13 . . . . .	3,000	3,000	-	-	-
Sped IDEA B fy12 . . . . .	-	36,406	(36,406)	36,406	-
Sped IDEA B fy13 . . . . .	328,680	328,680	-	-	-
Sped program improvement fy13 . . . . .	8,046	8,046	-	-	-
Spiffy fy11 . . . . .	-	163	(163)	163	-
Summer MCAS fy13 . . . . .	2,500	2,500	-	-	-
TAH - memorializing promise & conflict fy13 . . . . .	218,433	218,433	-	-	-
Title I fy12 . . . . .	-	298	(298)	298	-
Title I fy13 . . . . .	135,071	135,071	-	-	-
Title II fy13 . . . . .	52,085	52,085	-	-	-
Title IIA fy12 . . . . .	-	587	(587)	587	-
Total . . . . .	1,907,506	2,068,372	(160,866)	910,024	749,158

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, 2013**

	Revenues				Totals (See pages 6-5 and 6-6)
	Inter- governmental	Investment Income	Fees and Charges for Services	Other	
<b><u>Revolving funds:</u></b>					
Adult education . . . . .	-	-	1	-	1
Athletic . . . . .	-	-	37,884	-	37,884
Building use . . . . .	-	-	17,446	-	17,446
Chester elementary . . . . .	-	-	-	810	810
Circuit breaker . . . . .	211,925	-	-	-	211,925
District donation . . . . .	-	-	-	2,636	2,636
Food service . . . . .	161,009	82	148,842	-	309,933
High school lost textbooks . . . . .	-	-	-	345	345
Insurance . . . . .	-	-	-	29,672	29,672
Littleville elementary . . . . .	-	-	-	2,256	2,256
Littleville wrap around day care . . . . .	-	-	67,997	-	67,997
Lost library books . . . . .	-	-	-	187	187
Mass cultural council . . . . .	-	-	-	1,000	1,000
Parking fees . . . . .	-	-	12,030	-	12,030
Preschool . . . . .	-	-	1,594	-	1,594
Recycling . . . . .	-	-	-	2,134	2,134
Student identification . . . . .	-	-	89	-	89
Technology . . . . .	-	-	-	5,374	5,374
Tuition . . . . .	-	-	6,292	-	6,292
Wellness center . . . . .	-	-	16,535	-	16,535
WMECO . . . . .	-	-	-	7,847	7,847
Subtotal carried forward . . . . .	372,934	82	308,710	52,261	733,987

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, 2013**

	Revenues				Totals (See pages 6-5 and 6-6)
	Inter- governmental	Investment Income	Fees and Charges for Services	Other	
Subtotal carried forward . . . . .	372,934	82	308,710	52,261	733,987
<u>Federal/state/other grants:</u>					
Academic support fy13 . . . . .	3,212	-	-	-	3,212
Community partners fy13 . . . . .	52,125	-	-	-	52,125
Coordinated family and community fy13 . . . . .	36,422	-	-	-	36,422
Educational jobs fy13 . . . . .	258,556	-	-	-	258,556
Health fy13 . . . . .	49,200	-	-	-	49,200
Mass tiered system of support fy12 . . . . .	12,439	-	-	-	12,439
Sped early childhood fy13 . . . . .	13,750	-	-	-	13,750
Sped early childhood prog improvement fy13 . . . . .	3,000	-	-	-	3,000
Sped IDEA B fy13 . . . . .	328,680	-	-	-	328,680
Sped program improvement fy13 . . . . .	8,046	-	-	-	8,046
Summer MCAS fy13 . . . . .	2,500	-	-	-	2,500
TAH - memorializing promise & conflict fy13 . . . . .	218,433	-	-	-	218,433
Title I fy13 . . . . .	135,071	-	-	-	135,071
Title II fy13 . . . . .	52,085	-	-	-	52,085
Total . . . . .	1,546,453	82	308,710	52,261	1,907,506

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, 2013**

	Expenditures				Totals (See pages 6-5 and 6-6)
	Instruction	Ancillary School Services	Maintenance and Operations	Insurance and Employee Benefits	
<u>Revolving funds:</u>					
Athletic . . . . .	-	25,749	-	-	25,749
Building use . . . . .	-	-	25,046	-	25,046
Chester elementary . . . . .	436	-	-	-	436
Circuit breaker . . . . .	298,497	-	-	-	298,497
District donation . . . . .	997	-	-	-	997
Emergency planning . . . . .	-	419	-	-	419
Food service . . . . .	-	345,565	-	-	345,565
Friends of gateway . . . . .	26	-	-	-	26
Henderson memorial . . . . .	20	-	-	-	20
High school foundation for excellence . . . . .	103	-	-	-	103
High school lost textbooks . . . . .	157	-	-	-	157
Insurance . . . . .	-	-	7,444	-	7,444
Littleville elementary . . . . .	1,086	-	-	-	1,086
Littleville wrap around day care . . . . .	-	76,172	-	-	76,172
Mass cultural council . . . . .	600	-	-	-	600
Middle school vanderbilt . . . . .	208	-	-	-	208
Parking fees . . . . .	-	-	6,461	-	6,461
Preschool . . . . .	1,903	-	-	-	1,903
Recycling . . . . .	-	-	906	-	906
School to work . . . . .	269	-	-	-	269
Student identification . . . . .	-	441	-	-	441
Technology . . . . .	9,394	-	-	-	9,394
Tuition . . . . .	12,015	-	-	-	12,015
Wellness center . . . . .	-	30,364	-	-	30,364
WMECO . . . . .	-	-	7,847	-	7,847
Subtotal carried forward . . . . .	325,711	478,710	47,704	-	852,125

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, 2013**

	Expenditures				Totals (See pages 6-5 and 6-6)
	Instruction	Ancillary School Services	Maintenance and Operations	Insurance and Employee Benefits	
Subtotal carried forward . . . . .	325,711	478,710	47,704	-	852,125
<u>Federal/state/other grants:</u>					
Academic support fy13 . . . . .	3,212	-	-	-	3,212
Community partners fy13 . . . . .	-	52,125	-	-	52,125
Coordinated family and community fy13 . . . . .	36,422	-	-	-	36,422
Educational jobs fy13 . . . . .	-	-	-	258,556	258,556
H1N1 fy11 . . . . .	-	169	-	-	169
Health fy13 . . . . .	-	49,200	-	-	49,200
Mass tiered system of support fy12 . . . . .	17,544	-	-	-	17,544
Sped early childhood fy13 . . . . .	13,750	-	-	-	13,750
Sped early childhood prog improvement fy13 . . . . .	3,000	-	-	-	3,000
Sped IDEA B fy12 . . . . .	36,406	-	-	-	36,406
Sped IDEA B fy13 . . . . .	328,680	-	-	-	328,680
Sped program improvement fy13 . . . . .	8,046	-	-	-	8,046
Spiffy fy11 . . . . .	163	-	-	-	163
Summer MCAS fy13 . . . . .	2,500	-	-	-	2,500
TAH - memorializing promise & conflict fy13 . . . . .	218,433	-	-	-	218,433
Title I fy12 . . . . .	298	-	-	-	298
Title I fy13 . . . . .	135,071	-	-	-	135,071
Title II fy13 . . . . .	52,085	-	-	-	52,085
Title IIA fy12 . . . . .	587	-	-	-	587
Total . . . . .	1,181,908	580,204	47,704	258,556	2,068,372

See accompanying notes to the basic financial statements.

(Concluded)

**SCHEDULE 5**

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**COMBINING SCHEDULE OF NET POSITION**  
**AS OF JUNE 30, 2013**

	<u>Assets</u>		<u>Liabilities</u>		<u>Net Position</u>	<u>Total</u>
	Pooled	Due to	Accounts		Held in	Liabilities
	Cash	Students	Payable	Total	Trust for	and Net
		Groups			Scholarships	Position
<u>Agency funds:</u>						
High school student activities . . . . .	44,884	44,884	-	44,884	-	44,884
Middle school student activities . . . . .	6,985	6,985	-	6,985	-	6,985
Total agency funds . . . . .	51,869	51,869	-	51,869	-	51,869
<u>Expendable trust funds:</u>						
Carmel scholarship . . . . .	10,991	-	10,900	10,900	91	10,991
Euler memorial scholarship . . . . .	1,250	-	1,250	1,250	-	1,250
Total expendable trust funds . . . . .	12,241	-	12,150	12,150	91	12,241
Total fiduciary funds . . . . .	64,110	51,869	12,150	64,019	91	64,110

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 POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Additions</u>			<u>Changes</u>	<u>Net Position</u>	
	Donations	Interest	Deductions	in Net	June 30,	June 30,
				Position	2012	2013
<u>Expendable trust funds:</u>						
Carmel scholarship . . . . .	10,900	34	10,900	34	57	91
Euler memorial scholarship . . . . .	750	-	1,000	(250)	250	-
Total expendable trust funds . . . . .	11,650	34	11,900	(216)	307	91

See accompanying notes to the basic financial statements.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**RECONCILIATION OF TREASURER'S CASH**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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Bank checking accounts - interest bearing:		
United bank - general . . . . .	447,949	
United bank - cafeteria . . . . .	83,191	
United bank - student activities . . . . .	7,643	
Unibank - cafeteria . . . . .	819	
Total bank checking accounts - interest bearing . . . . .		539,602
Liquid investments:		
United bank - general . . . . .	2,067,757	
United bank - carmel scholarship . . . . .	10,991	
United bank - student activities . . . . .	44,226	
Total liquid investment accounts . . . . .		2,122,974
Total pooled cash . . . . .		<u><u>2,662,576</u></u>

Pooled cash is presented in the basic financial statements as follows:		
General fund. . . . .	1,354,925	
School choice revolving fund. . . . .	597,752	
Other nonmajor governmental funds . . . . .	645,789	
Subtotal . . . . .	2,598,466	
Trust and agency funds . . . . .	64,110	
Total pooled cash per treasurer's year-end cash report. . . . .		<u><u>2,662,576</u></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, 2013**

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Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage 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%
07/01/12	-	14,126,226	14,126,226	0.0%	6,678,683	211.5%

See accompanying notes to the basic financial statements.

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

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To the School Committee of the  
Gateway Regional School District:

September 19, 2013

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gateway Regional School District of Massachusetts (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 19, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies; specifically "Finding 13-1".

### 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 19, 2013.

### District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

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

***Stanley H. Kulas, CPA***

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

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To the School Committee of the  
Gateway Regional School District:

### Report on Compliance for Each Major Program

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, 2013. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

### Opinion of Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2013.

### Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

***Stanley H. Kulas, CPA***

STANLEY H. KULAS  
Certified Public Accountant  
September 19, 2013

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an opinion on the basic financial statements of the Gateway Regional School District which was unqualified.
2. One significant deficiency disclosed during the audit of the basic financial statements is reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*." This deficiency is not reported as a material weakness.
3. No instances of noncompliance material to the basic financial statements of the District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Report on Compliance With Requirements Applicable to Each Major Program & Internal Control Over Compliance in Accordance With Circular A-133."
5. The auditors' report on compliance for the major federal award programs for the District expresses an unqualified opinion.
6. There were no audit findings relative to the District's federal award major programs.
7. The programs tested as major programs were:
  - 84.027 Special Education – Grants to States
  - 84.173 Special Education – Early Childhood Learning
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**

**13-1 – Preparation of financial statements based on generally accepted accounting principles (this deficiency had been noted in the FY12 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, 2013**

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

**Significant Deficiencies (Continued)**

**13-1 – 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, 2013**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Program or Award Amount	Fund Balance 07/01/12	Revenues			Expenditures		Fund Balance 06/30/13
					Federal	State	Other	Federal Program Costs	Other	
<u>U.S. Department of Agriculture</u>										
Passed Through State Dept of Elementary and Secondary Education:										
Food Distribution (NOTE C). . . . .	10.550	08-143-1	N/A	-	38,218	-	-	38,218	-	-
Child Nutrition Cluster:										
National School Breakfast Program . . . . .	10.553	08-143-1	N/A	-	25,142	-	-	25,142	-	-
National School Lunch Program . . . . .	10.555	08-143-1	N/A	62,705	130,099	5,768	148,924	130,099	190,324	27,073
Subtotal - Child Nutrition Cluster . . . . .			N/A	62,705	155,241	5,768	148,924	155,241	190,324	27,073
TOTAL DEPARTMENT OF AGRICULTURE . . . . .			-	62,705	193,459	5,768	148,924	193,459	190,324	27,073
<u>U.S. Department of Education</u>										
Passed Through State Dept of Elementary and Secondary Education:										
Title I, Part A Cluster:										
Title 1 - Grants to LEA's FY12 . . . . .	84.010	305-059-2-0672-M	145,099	298	-	-	-	298	-	-
Title 1 - Grants to LEA's FY13 . . . . .	84.010	305-000577-2013-0672	135,071	-	135,071	-	-	135,071	-	-
Subtotal Title I, Part A Cluster . . . . .			280,170	298	135,071	-	-	135,369	-	-
Special Education IDEA Cluster:										
Sped IDEA B - Grants to States FY12 . . . . .	84.027	240-113-2-0672-M	331,201	36,406	-	-	-	36,406	-	-
Sped IDEA B - Grants to States FY13 . . . . .	84.027	240-159-3-0672-N	328,680	-	328,680	-	-	328,680	-	-
Sped Specialized Training FY12 . . . . .	84.027	250-005-2-0672-M	20,000	5,105	12,439	-	-	17,544	-	-
Sped Program Improvement FY13 . . . . .	84.027	274-115-3-0672-N	8,046	-	8,046	-	-	8,046	-	-
EC Sped Program Improvement FY13 . . . . .	84.173	298-097-3-0672-N	3,000	-	3,000	-	-	3,000	-	-
Sped Early Childhood Learning FY13 . . . . .	84.173	262-13-Gateway	13,750	-	13,750	-	-	13,750	-	-
Subtotal Special Education IDEA Cluster . . . . .			704,677	41,511	365,915	-	-	407,426	-	-

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, 2013**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Program or Award Amount	Fund Balance 07/01/12	Revenues			Expenditures		Fund Balance 06/30/13
					Federal	State	Other	Federal Program Costs	Other	
U.S. Department of Education (Continued)										
Passed Through State Dept of Elementary and Secondary Education (Continued):										
Teacher Quality FY12 .....	84.367	140-070-2-0672-M	52,119	587	-	-	-	587	-	-
Teacher Quality FY13 .....	84.367	140-003171-2013-0672	52,085	-	52,085	-	-	52,085	-	-
Total Program 84.367 .....			104,204	587	52,085	-	-	52,672	-	-
ARRA Program for Education Jobs FY13 .....	84.410	206-040-3-0672-N	258,556	-	258,556	-	-	258,556	-	-
Subtotal - U.S. Department of Education Pass Through Programs .....			1,347,607	42,396	811,627	-	-	854,023	-	-
U.S. Department of Education Direct Programs:										
TAH - Memorializing Promise & Conflict FY13 (NOTE D). .....	84.215	U215X0100092	958,247	-	218,433	-	-	218,433	-	-
TOTAL DEPARTMENT OF EDUCATION .....			2,305,854	42,396	1,030,060	-	-	1,072,456	-	-
U.S. Department of Health and Human Services:										
Passed Through State Dept of Early Education and Care:										
Coordinated Family & Community FY13 .....	93.596	237-13-Gateway	36,422	-	36,422	-	-	36,422	-	-
TOTAL FEDERAL ASSISTANCE .....			2,342,276	105,101	1,259,941	5,768	148,924	1,302,337	190,324	27,073

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, 2013

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**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and other 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, 2013. 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 position, 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	TAH - Memorializing Promise and Conflict	\$ 89,391

**GATEWAY REGIONAL SCHOOL DISTRICT**  
**SUMMARY OF PRIOR YEAR'S FINDINGS AND CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

There were no findings or questioned costs associated with the audit of major federal award programs for the fiscal year ended June 30, 2012.

**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 13-1" in Section B of the Schedule of Findings and Questioned Costs beginning on page 7-4 of this report package for a detailed description of this deficiency along with the District's corrective action scenario.

# STANLEY H. KULAS

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

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To the School Committee of the  
Gateway Regional School District:

### Compliance

We have audited the compliance of the Gateway Regional School District (the "District") with the types of compliance requirements described in the Massachusetts Department of Elementary and Secondary Education's Compliance Supplement applicable to Massachusetts School Districts for the year ended June 30, 2013. 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, 2013.

### 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 19, 2013

## 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, 2013, 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 19, 2013, 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 Comment:

Credit Memos on Yearbook Vendor Invoices

Prior Year's Comments:

Documentation Supporting Attendance at Conferences

Implementation of GASB #68 "Accounting and Financial Reporting for Pensions"

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 19, 2013

<b>CURRENT YEAR'S COMMENT</b>
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**CREDIT MEMOS ON YEARBOOK VENDOR INVOICES**

**Fiscal 2013 Observation:** The yearbook vendor submitted an invoice that included a \$4,000 credit memo for "collected deposits". The invoice was paid with student activity funds without determining the propriety of this credit. The teacher advisor knew the credit was for on-line payments that students had made directly to the vendor, but neither the advisor nor the student activities coordinator reconciled the credit to subsidiary records to determine if the amount of the credit was accurate.

**Fiscal 2013 Recommendation:** The teacher advisor should obtain a detailed record of on-line payments from the vendor and reconcile that detail to the credit memo amount appearing on the invoice. This reconciliation should be included in the voucher package submitted to the student activities coordinator for payment.

<b>PRIOR YEAR'S COMMENTS</b>
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**DOCUMENTATION SUPPORTING ATTENDANCE AT CONFERENCES**

**Fiscal 2012 Observation:** One voucher package supporting an \$885 expenditure, for a two-day conference on dyslexia, did not have any documentation to prove that the three individuals who went from the District attended the conference. District policy requires that participants provide registration forms, badges, or seminar materials as evidence that they attended the conference. When the employees were notified of this situation, they were all able to produce evidence of attendance.

**Fiscal 2012 Recommendation:** The District should remind employees that it is their responsibility to provide evidence to the business office that they attended a conference. The business office should not reimburse employees for travel or conference expenses without this evidence of attendance.

**Fiscal 2013 Status:** Employees have been reminded to provide evidence of attendance to a conference when they seek reimbursement.

**IMPLEMENTATION OF GASB #68  
"ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS"**

**Fiscal 2012 Observation:** In August 2012 the Governmental Accounting Standards Board (GASB) issued a new pronouncement, GASB #68 that fundamentally revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits.

This pronouncement generally requires governments to change from "pay-as-you-go" recognition of pension costs to a full accrual method. Governments may continue to fund these costs when actually paid but must begin recognizing annual pension expense as the employee services are provided. Significant balance sheet liabilities will exist for governments that don't convert to accrual funding.

The District is required to implement these changes for the fiscal year beginning July 1, 2014.

**Fiscal 2012 Recommendation:** District management should attend seminars and obtain the necessary literature required, well in advance of the implementation deadline, to ensure compliance with all the provisions of this new accounting pronouncement.

**Fiscal 2013 Status:** The District's business manager is planning to attend a professional development course on this topic presented by the Massachusetts Association of School Business Officials. She is also planning to participate in a webinar involving the implementation of the GASB pronouncement.