

GATEWAY REGIONAL SCHOOL DISTRICT

**FINANCIAL STATEMENTS
INCLUDING INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDED JUNE 30, 2015**

<p align="center">GATEWAY REGIONAL SCHOOL DISTRICT TABLE OF CONTENTS FOR THE YEAR ENDED JUNE 30, 2015</p>
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	<u>PAGE</u>
Independent Auditor's Report	1-1
Management's Discussion and Analysis (Unaudited)	2-1
Basic Financial Statements:	
<u>Exhibits</u>	
Government-Wide Financial Statements:	
A Statement of Net Position	3-1
B Statement of Activities	3-2
Fund Financial Statements:	
C Governmental Funds - Balance Sheet	4-1
D Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	4-2
E General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis)	4-3
F Fiduciary Funds - Statement of Fiduciary Net Position	4-4
G Fiduciary Funds - Statement of Changes in Fiduciary Net Position	4-4
H Notes to the Basic Financial Statements	5-1
Combining Fund and Other Schedules:	
<u>Schedules</u>	
1 Nonmajor Governmental Funds - Combining Schedule of Balance Sheets	6-1
2 Nonmajor Governmental Funds - Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	6-2
3 Nonmajor Special Revenue Funds - Combining Schedule of Balance Sheets	6-3
4 Nonmajor Special Revenue Funds - Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	6-5
5 Fiduciary Funds - Combining Schedule of Net Position	6-11
6 Private-Purpose Trust Funds - Combining Schedule of Additions, Deductions, and Changes in Net Position	6-11
7 Reconciliation of Treasurer's Cash	6-12
Required Supplementary Information:	
<u>Schedule</u>	
8 Other Post-Employment Benefits Funding Progress (Unaudited)	6-13
9 Schedule of the District's Proportionate Share of the Net Pension Liability (Unaudited)	6-14
10 Schedule of the District's Pension Contributions (Unaudited)	6-15
Government Auditing Standards Report and Schedules:	
Independent Auditor's 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	7-1
Independent Auditor's Report on Compliance for Each Major Program and on Internal Over Compliance Required by OMB Circular A-133	7-2
Schedule of Findings and Questioned Costs	7-4
Schedule of Expenditures of Federal and Other Awards	7-6
Notes to Schedule of Expenditures of Federal and Other Awards	7-8
Summary of Prior Year's Findings and Correction Action Plan	7-9
Independent Accountant's Report on Applying Agreed-Upon Procedures Over Compliance Applicable to Massachusetts School Districts' End-Of-Year Pupil and Financial Report	
Department of Elementary and Secondary Education End-of-Year Financial Report - Compliance Supplement Questionnaire	8-2
Report to Management	9-1

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, 2015, 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, 2015, 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, the schedule of other post-employment benefits funding progress on page 6-13, the schedule of the District's proportionate share of the net pension liability on page 6-14, and the schedule of the District's pension contributions on page 6-15 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 management's discussion and analysis, the schedule of other post-employment benefits funding progress the schedule of the District's proportionate share of the net pension liability, and the schedule of the District's pension contributions 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 January 28, 2016, 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

January 28, 2016

GATEWAY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015. 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 year-end by \$9,253,981 (Exhibit A).
- The District restated its beginning net position by a \$5,489,706 reduction due to the implementation of GASB 68.
- The District's total net assets for governmental activities decreased by \$828,946 (Exhibit B).
- The District's long-term obligations decreased by \$16,835 to \$20,127,246.

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 \$2,223,358 (Exhibit C), a decrease of \$248,214 in comparison with the prior year (Exhibit D).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$479,058 (Exhibit C), or 2.92% of next year's anticipated general fund expenditures of \$16,406,639.

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, 2015

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

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

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

The District maintains various individual governmental funds. Information is presented separately in the governmental fund balance sheet (Exhibit C) and in the governmental fund statement of revenues, expenditures, and changes in fund balances (Exhibit D) for the general fund, the state payments on-behalf of teacher retirement fund, the debt defeasance 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 10 of this report.

GATEWAY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015

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 \$9,253,981.

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	
	2015	2014
Current and other assets	\$ 2,516,516	\$ 2,810,369
Capital assets	27,165,417	27,865,434
Total assets	29,681,933	30,675,803
Deferred outflow of resources	44,487	-
Current liabilities	315,362	448,795
Noncurrent liabilities	20,127,246	20,144,081
Total liabilities	20,442,608	20,592,876
Deferred inflow of resources	29,831	-
Net position:		
Invested in capital assets, net of related debt . .	18,449,826	18,475,099
Restricted	1,271,812	1,306,910
Unrestricted	(10,467,657)	(9,699,082)
Total net position	\$ 9,253,981	\$ 10,082,927

A portion of the District's net position at June 30, 2015 and at June 30, 2014 of \$1,271,812 and of \$1,306,910, respectively, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$(10,467,657) and of \$(9,699,082) at June 30, 2015 and at June 30, 2014, respectively, are further segregated by internal designations as shown below.

Description	2015	2014
Designated for subsequent year's budget	\$ 400,000	\$ 559,488
Assigned to finance OPEB obligations	63,743	-
Undesignated and unreserved	(10,931,400)	(10,258,570)
Total unrestricted net assets	\$ (10,467,657)	\$ (9,699,082)

GATEWAY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015

Before the effect of implementing GASB 68, which restated the District's beginning net position by a reduction of \$5,489,706, government-wide activities decreased the District's net position by \$828,946 and \$1,110,342 for fiscal years 2015 (Exhibit B) and 2014, respectively. Key elements of these changes are as follows:

DISTRICT'S CHANGES IN NET POSITION		
Description	Amount	
	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 272,956	\$ 288,408
Member town assessments	1,620,589	1,893,858
Investment income	6	22
Other	46,595	36,337
Operating grants and contributions	3,070,821	5,392,276
General revenues:		
Assessments to member towns	8,076,272	7,706,802
Grants and contributions not restricted to specific programs	5,652,523	5,625,873
Miscellaneous	2,267	5,966
Investment income	4,181	7,032
Total revenues	18,746,210	20,956,574
Expenses:		
Administration	736,829	721,440
Instruction	8,286,956	8,854,483
Ancillary school services	1,016,689	1,007,111
Transportation	1,567,130	1,505,316
Maintenance and operations	1,221,915	1,416,141
Insurance and employee benefits	4,508,533	6,632,100
Programs with other schools	1,070,918	856,335
Unallocated depreciation	801,089	801,089
Debt service	365,097	272,901
Total expenses	19,575,156	22,066,916
Change in net position	\$ (828,946)	\$ (1,110,342)

- Revenues related to member town assessments increased by \$96,201 or 1.00%.
- Revenues related to operating grants and contributions decreased by \$2,321,445 or 43.1% predominantly because state on-behalf revenue recognition for FY15, as defined by GASB No.68, was \$1,195,871 compared to \$3,250,995 in FY14.
- Total expenses decreased by \$2,491,760 or 11.3% predominantly because state on-behalf expense recognition for FY15, as defined by GASB No.68, was \$1,195,871 compared to \$3,250,995 in FY14.

GATEWAY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE GOVERNMENTAL 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 \$2,223,358 (Exhibit C), a decrease in the balance of \$248,214 in comparison with the prior year (Exhibit D). A summary of the components comprising these balances is described below.

Description	2015	2014
Nonspendable food services inventory	5,006	6,030
Restricted by grantors or enabling legislation	1,170,301	1,308,393
Committed to finance OPEB obligations	106,658	-
Assigned to reduce subsequent year's assessments	400,000	559,488
Assigned to finance OPEB obligations	63,743	-
Unassigned - available for spending at the government's discretion	477,650	597,661
Total fund balances	<u>2,223,358</u>	<u>2,471,572</u>

The general fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance was \$985,716 (Exhibit C) of which \$479,058 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 2.92% of total general fund's budget for the next fiscal year, while total fund balance represents 6.01% of that same amount.

The fund balance of the District's general fund decreased by \$171,433 during the current fiscal year (Exhibits D). Key factors in this change are (Exhibit E):

- Use of \$559,488 of beginning fund balance to finance current year's operations.
- Total expenditures for instruction, insurance, maintenance and the like were \$540,142 less than budgeted.
- State aid revenues were \$151,879 less than budgeted.
- Investment income and other revenues were \$208 less than budgeted.

State payments on-behalf of the teacher retirement program totaling \$1,195,871 and \$3,250,995 for fiscal 2015 and for fiscal 2014 were made directly to the Massachusetts Teachers Retirement System for the benefit of District teachers (Exhibit D).

The District received \$145,799 in school choice revenues during fiscal 2015 and spent \$142,534 and \$100,420 of this revenue on instructional and on computer lease expenditures, respectively.

During fiscal 2015 the District refunded \$5,200,000 of bonds which will result in a cash flow savings over ten years of \$521,685 which equates to an economic gain (difference between the present values of the old and new debt service payments) of \$470,436.

GATEWAY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's original fiscal 2015 budget of \$16,824,695 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 \$27,165,417 (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 \$234,784 of capital assets and the recognition of \$934,801 of depreciation expense. A summary of District capital assets at June 30, 2015 and June 30, 2014 is presented below.

DISTRICT'S CAPITAL ASSETS (net of depreciation)		
Description	Amount	
	2015	2014
Buildings	\$ 38,741,947	\$ 38,741,947
Furniture and fixtures	2,108,026	2,108,026
Technology	2,224,127	2,098,539
Machinery and equipment	366,490	357,809
Vehicles	88,574	77,000
Construction in progress	58,599	-
Land	17,250	17,250
Gross capital assets	43,605,013	43,400,571
Accumulated depreciation	16,439,596	15,535,137
Net capital assets	<u>\$ 27,165,417</u>	<u>\$ 27,865,434</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 2015.

GATEWAY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015

Long-term debt. At the end of fiscal year 2015 and 2014, the District's governmental activities had long-term obligations outstanding of \$20,127,246 and \$20,144,081, respectively; comprised of the following components.

DISTRICT'S OUTSTANDING LONG-TERM OBLIGATION		
Description	Amount	
	2015	2014
Other post-employment obligations . . .	\$ 5,599,071	\$ 4,876,527
County pension obligations	5,473,944	5,489,706
Bonds payable.	5,155,000	5,945,000
MSBA obligations.	2,948,890	3,276,545
Unamortized bond premium	538,350	7,513
Compensated absences	284,000	380,000
Capital lease obligations.	127,991	168,790
Total outstanding debt	<u>\$ 20,127,246</u>	<u>\$ 20,144,081</u>

The District has 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 Gateway District is located in the Berkshires and is part of both Hamden and Hampshire County. There is little industry within the District, with the School District being the largest employer. Primary business within the District includes small general stores, self-employed contractors, restaurants, and health centers.

During fiscal year 2015 the following events occurred.

- The District had an increase in Chapter 70 revenue of \$26,250.
- The total general fund budget was \$16,824,695.
- Financial implications affecting the FY15 budget were the following:
 - \$559,488 was used from E & D to offset the budget.
 - The District operated on a one twelfth budget until the fifth member town approved the budget.

GATEWAY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following factors were considered in preparing the District's budget for the 2016 fiscal year.

- State chapter 70 funds for the District are expected to decrease by \$125,899.
- Regional transportation reimbursement is expected to be funded at a total amount of \$494,458.
- The total FY16 budget is approximately 2.5% or \$418,056 lower than FY15. With withdrawal of the Town of Worthington from the District will cause remaining member town assessments to increase by \$1,014,837 or 11.7% for FY16.
- The District's share of the building project costs totaling \$9,767,000 was permanently bonded in FY06 and the debt service costs associated with this financing will be reflected in the non-discretionary budget to the towns.
- The minimum contributions component of town assessments established by the Commonwealth of Massachusetts are expected to increase by approximately 3.7% providing an additional \$196,128 of assessment revenues.
- The District's proposed FY16 operating budget is requesting \$2,031,235 of town assessments above the minimum contribution amounts established by the Commonwealth.
- The District will be using \$400,000 out of excess and deficiency to reduce town assessments.
- The Town of Worthington has been approved by the DESE to withdraw for the District effective July 1, 2015. There is currently a lawsuit filed to prevent this withdrawal. The state legislators have also promised \$630,000 of mitigation funds to decrease the impact of this withdrawal. As of July 1, 2015, barring any legal action, the District will be comprised of six towns: Blandford, Chester, Huntington, Middlefield, Montgomery and Russell.

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.

GATEWAY REGIONAL SCHOOL DISTRICT

GOVERNMENT-WIDE

STATEMENT OF NET POSITION

JUNE 30, 2015

		Government Activities
Assets:		
Current assets:		
Pooled cash	2,414,839	
Due from other governments	96,671	
Inventory	5,006	
Total current assets		2,516,516
Capital assets - net of accumulated depreciation		27,165,417
Total assets		29,681,933
Deferred outflow of resources - loss on refunding bonds		44,487
Total assets and deferred outflow of resources		29,726,420
Liabilities:		
Current liabilities:		
Accrued interest payable	22,204	
Accounts payable	44,762	
Accrued payroll	77,496	
Payroll withholdings	167,363	
Unearned revenue	3,537	
Total current liabilities		315,362
Noncurrent liabilities:		
Due within one year:		
Unamortized premium from bond issuance	53,835	
Bonds payable	500,000	
MSBA obligation	327,655	
Capital lease obligations	61,454	
Total due within one year		942,944
Due in more than one year:		
Other post-employment benefit (OPEB) obligation	5,599,071	
County pension obligation	5,473,944	
Unamortized premium from bond issuance	484,515	
Bonds payable	4,655,000	
MSBA obligation	2,621,235	
Capital lease obligations	66,537	
Compensated absences	284,000	
Total due in more than one year		19,184,302
Total liabilities		20,442,608
Net deferred inflow of resources related to pensions		29,831
Total liabilities and net deferred inflow of resources		20,472,439
Net position:		
Invested in capital assets, net of related debt		18,449,826
Restricted for:		
Grants and revolving activities	1,160,148	
OPEB obligation	106,658	
Inventory	5,006	
Total restricted		1,271,812
Unrestricted		(10,467,657)
Total net position		9,253,981

See accompanying notes to the basic financial statements.

GATEWAY REGIONAL SCHOOL DISTRICT

GOVERNMENT-WIDE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses for all Functions and Programs	Program Revenues					Operating Grants and Contributions	Net Revenue/ (Expense) and Changes in Net Assets
		Charges for Services	Member Town Assessments	Investment Income	Other			
Governmental activities:								
Administration	736,829	-	-	-	-	-	-	(736,829)
Instruction	8,286,956	2,180	-	-	6,121	912,028		(7,366,627)
Ancillary school services	1,016,689	251,656	-	6	3,470	303,231		(458,326)
Transportation	1,567,130	-	789,681	-	-	659,691		(117,758)
Maintenance and operations	1,221,915	19,120	-	-	37,004	-		(1,165,791)
Insurance and employee benefits	4,508,533	-	-	-	-	1,195,871		(3,312,662)
Programs with other schools	1,070,918	-	-	-	-	-		(1,070,918)
Capital improvements	-	-	72,730	-	-	-		72,730
Unallocated depreciation (*)	801,089	-	-	-	-	-		(801,089)
Principal associated with renovation bonds	-	-	500,000	-	-	-		500,000
Interest associated with renovation bonds	269,277	-	258,178	-	-	-		(11,099)
Debt refunding expenses	95,820	-	-	-	-	-		(95,820)
Totals	19,575,156	272,956	1,620,589	6	46,595	3,070,821		(14,564,189)
General revenues:								
Assessments to member towns								8,076,272
State and federal aid not restricted to specific purposes								5,652,523
Miscellaneous								2,267
Investment income								4,181
Total general revenues								13,735,243
Changes in net assets								(828,946)
Net position - beginning of the year before restatement								15,572,633
Restatement of beginning of the year net position								(5,489,706)
Net position - beginning of the year after restatement								10,082,927
Net position - end of the year								9,253,981

(*) - This line item excludes depreciation expensed directly to various programs totaling \$133,712. (\$801,089 + \$133,712 = \$934,801 total depreciation expense).

See accompanying notes to the basic financial statements.

GATEWAY REGIONAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	General Fund	School Choice Revolving Fund	Debt Defeasance Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
Assets					
Pooled cash	1,218,534	563,276	2,403	630,626	2,414,839
Due from other governments	56,087	-	-	40,584	96,671
Inventory	-	-	-	5,006	5,006
Total assets	1,274,621	563,276	2,403	676,216	2,516,516
Liabilities and fund balances					
Liabilities:					
Accounts payable	44,046	-	-	716	44,762
Payroll withholdings	167,363	-	-	-	167,363
Accrued payroll	77,496	-	-	-	77,496
Unearned revenue	-	-	-	3,537	3,537
Total liabilities	288,905	-	-	4,253	293,158
Fund balances:					
Nonspendable	-	-	-	5,006	5,006
Spendable:					
Restricted	-	563,276	2,403	604,622	1,170,301
Committed - to finance OPEB obligation	106,658	-	-	-	106,658
Assigned	400,000	-	-	63,743	463,743
Unassigned - available for appropriation	479,058	-	-	(1,408)	477,650
Total fund balances	985,716	563,276	2,403	671,963	2,223,358
Total liabilities and fund balances	1,274,621	563,276	2,403	676,216	
Reconciliation to government-wide statement of net position:					
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				43,605,013	
Less: Accumulated depreciation				(16,439,596)	
Subtotal					27,165,417
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				(5,155,000)	
Massachusetts school building authority (MSBA) obligation.				(2,948,890)	
Other post-employment benefits obligation.				(5,599,071)	
County pension obligation.				(5,473,944)	
Premiums from the issuance of bonds				(538,350)	
Compensated absences				(284,000)	
Capital lease obligations.				(127,991)	
Subtotal					(20,127,246)
Accrued interest payable is not due in the current period and therefore is not reported in the governmental funds statements					(22,204)
Unamortized net debt refunding reacquisition price over the net carrying amount of the refunded debt					44,487
Unamortized deferred inflow of resources related to pensions.					(29,831)
Net position (Exhibit A)					9,253,981

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, 2015

	General Fund	State Payments On-behalf of Teacher Retirement Fund	School Choice Revolving Fund	Debt Defeasance Fund	Other Nonmajor Governmental Fund	Total Governmental Funds
Revenues:						
Town assessments	9,696,861	-	-	-	-	9,696,861
Intergovernmental	6,409,045	1,195,871	145,799	-	972,629	8,723,344
Investment income	4,181	-	-	-	6	4,187
Fees and charges for services	-	-	-	-	272,956	272,956
Other revenues	2,267	-	-	-	46,595	48,862
Total revenues	16,112,354	1,195,871	145,799	-	1,292,186	18,746,210
Other financing sources:						
Proceeds from the issuance of refunding bonds ...	-	-	-	4,910,000	-	4,910,000
Premiums on the issuance of refunding bonds ...	-	-	-	538,350	-	538,350
Proceeds from capital lease obligations	-	-	-	-	41,916	41,916
Transfers from debt service fund	766	-	-	-	-	766
Total other financing sources	766	-	-	5,448,350	41,916	5,491,032
Total revenues and other financing sources	16,113,120	1,195,871	145,799	5,448,350	1,334,102	24,237,242
Expenditures:						
Current:						
Administration	718,598	-	-	-	-	718,598
Instruction	7,649,653	-	142,534	-	569,862	8,362,049
Ancillary school services	428,580	-	-	-	588,109	1,016,689
Transportation	1,567,130	-	-	-	-	1,567,130
Maintenance and operations	1,229,560	-	-	-	32,688	1,262,248
Insurance and employee benefits	2,576,049	1,195,871	-	-	-	3,771,920
Programs with other schools	988,128	-	-	-	82,790	1,070,918
Capital improvements	40,256	-	100,420	-	41,916	182,592
Massachusetts school building authority payback .	327,655	-	-	-	-	327,655
Debt Service:						
Principal payments associated with bonds	500,000	-	-	5,200,000	-	5,700,000
Interest associated with long-term debt	258,944	-	-	98,127	-	357,071
Debt refunding premium	-	-	-	52,000	-	52,000
Debt refunding expenditures	-	-	-	95,820	-	95,820
Total expenditures	16,284,553	1,195,871	242,954	5,445,947	1,315,365	24,484,690
Other financing uses - transfers to the general fund ..	-	-	-	-	766	766
Total expenditures and other financing uses	16,284,553	1,195,871	242,954	5,445,947	1,316,131	24,485,456
Net changes in fund balances	(171,433)	-	(97,155)	2,403	17,971	(248,214)
Fund balance - beginning of the year	1,157,149	-	660,431	-	653,992	
Fund balance - end of the year	985,716	-	563,276	2,403	671,963	

**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	(700,017)
Net change in long-term liabilities and amortization of bond premiums	16,835
Change in deferred outflow and inflow of resources	14,656
Net change in short-term liabilities	87,794
Change in net assets of the government-wide statement of activities (Exhibit B)	(828,946)

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, 2015

	Original Budget	Revised Budget	Actual	Over/ (Under) Budget
Revenues - budgetary basis:				
Town assessments:				
Blandford	1,484,104	1,484,104	1,484,104	-
Chester	1,363,589	1,363,589	1,363,589	-
Huntington	2,263,458	2,263,458	2,263,458	-
Middlefield	505,980	505,980	505,980	-
Montgomery	1,067,296	1,067,296	1,067,296	-
Russell	1,989,661	1,989,661	1,989,661	-
Worthington	1,022,773	1,022,773	1,022,773	-
Total town assessments	9,696,861	9,696,861	9,696,861	-
Commonwealth of Massachusetts - state aid:				
Chapter 70	5,652,523	5,652,523	5,652,523	-
Transportation	802,331	802,331	657,512	(144,819)
Medicaid	102,912	102,912	90,736	(12,176)
Charter schools	-	-	6,095	6,095
Homeless transportation	3,158	3,158	2,179	(979)
Total Commonwealth of Massachusetts - state aid	6,560,924	6,560,924	6,409,045	(151,879)
Miscellaneous:				
Investment income	6,656	6,656	4,181	(2,475)
Other	-	-	2,267	2,267
Total miscellaneous	6,656	6,656	6,448	(208)
Total revenues	16,264,441	16,264,441	16,112,354	(152,087)
Other financing sources:				
Transfers from beginning fund balance	559,488	559,488	559,488	-
Transfers from debt service fund	766	766	766	-
Total other financing sources	560,254	560,254	560,254	-
Total revenues and other financing sources - budgetary basis	16,824,695	16,824,695	16,672,608	(152,087)
Expenditures - budgetary basis:				
Current:				
Administration	717,595	732,733	718,598	(14,135)
Instruction	7,992,897	7,864,517	7,649,653	(214,864)
Ancillary school services	444,058	435,335	428,580	(6,755)
Transportation	1,595,170	1,581,300	1,567,130	(14,170)
Maintenance and operations	1,281,655	1,314,123	1,229,560	(84,563)
Insurance and employee benefits	2,720,518	2,701,533	2,576,049	(125,484)
Programs with other schools	913,473	1,035,825	988,128	(47,697)
Total current	15,665,366	15,665,366	15,157,698	(507,668)
Capital improvements	72,730	72,730	40,256	(32,474)
Debt service:				
Principal - construction and renovation obligations	500,000	500,000	500,000	-
Interest - construction and renovation obligations	258,944	258,944	258,944	-
Total debt service	758,944	758,944	758,944	-
Massachusetts school building authority paybacks	327,655	327,655	327,655	-
Total expenditures - budgetary basis	16,824,695	16,824,695	16,284,553	(540,142)
Net changes in fund balance	-	-	388,055	388,055

Reconciliation of GAAP basis to budgetary basis:

(See Exhibit D) Transfers From

Description	GAAP Basis	Beginning Fund Balance	Budgetary Basis
Revenues and other financing sources	16,113,120	559,488	16,672,608
Expenditures and other financing uses	16,284,553	-	16,284,553
Net changes in fund balance	(171,433)	559,488	388,055

See accompanying notes to the basic financial statements.

EXHIBIT F

GATEWAY REGIONAL SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

	Private- Purpose Trust Expendable Scholarship Funds	Agency Student Activities Funds	Totals
Assets			
Pooled cash.	14,808	45,700	60,508
Liabilities			
Due to students	-	45,700	45,700
Accounts payable	14,457	-	14,457
Total liabilities	14,457	45,700	60,157
Net position - held in trust for scholarships	351	-	351

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, 2015

	Private- Purpose Trust Expendable Scholarship Funds
Additions:	
Donations	13,957
Interest	2
Total additions	13,959
Deductions - scholarships	14,457
Change in net assets	(498)
Net position - beginning of the year	849
Net position - end of the year	351

See accompanying notes to the basic financial statements.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015

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, 2015

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.
- School choice revolving fund – for general use; resources provided by State.
- Debt defeasance fund – to refund old bonds from proceeds of new bond issuance.
- State payments on-behalf of teacher retirement fund – resources provided by State to finance teacher retirement.

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, 2015

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, 2015

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, 2015

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, 2015

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 gross without regard to any 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, 2015

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, 2015

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, 2015

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 on-behalf revenue recognition for FY15, as defined by GASB No.68, was \$1,195,871 compared to \$3,250,995 in FY14ies (Exhibit B) is explained below.

Net changes in fund balances - total governmental funds (Exhibit D) \$ (248,214)

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	\$ 234,784	
Depreciation expense	(934,801)	
Totals		(700,017)

The issuance of long-term liabilities 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:

Payment of principal associated with outstanding bonds payable	\$ 5,700,000	
Increase in other post-employment benefit obligation	(722,544)	
Decrease in county pension obligation	15,762	
Issuance of capital lease obligations	(41,916)	
Issuance of bonds payable	(4,910,000)	
Decrease in compensated absence accrual	96,000	
Payment of principal associated with outstanding MSBA obligation	327,655	
Payment of capital lease obligations	82,715	
Amortization of premiums associated with the issuance of bonds	7,513	
Deferral of premiums associated with the issuance of bonds	(538,350)	
Totals		16,835

Changes in deferred outflow and inflow of resources:

Increase in pension related deferred inflow of resources	(29,831)	
Changes in the balance of unamortized debt refunding reacquisition price over the net carrying amount of the refunded debt	44,487	
Totals		14,656

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:

Decrease in interest payable accrual	87,794	
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Change in net position of the government-wide statement of activities (Exhibit B) \$ (828,946)

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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 15, November 1, February 15, and April 1 for 20%, 30%, 20% and 30%, respectively.

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

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. Budgetary information (continued)

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

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

Encumbrances outstanding at year-end represent the estimated amount of expenditures ultimately to result if outstanding purchase orders at year-end are filled and if contracts in progress at year-end are completed. For GAAP purposes, encumbrances outstanding at year-end do not constitute expenditures or liabilities and, therefore, are presented in the combined financial statements as a component of committed or assigned fund equity. As of June 30, 2015 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
Deposits in institutions - Insured (FDIC) (SIF)	\$ 186,349	\$ 66,838	\$ 253,187
Deposits in institutions - Fully collateralized	2,121,066	-	2,121,066
Investments with Mass Municipal Depository Trust	473,166	-	473,166
Various reconciling items	(365,742)	(6,330)	(372,072)
Total cash	<u>\$ 2,414,839</u>	<u>\$ 60,508</u>	<u>\$ 2,475,347</u>

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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
Food services - state DESE	\$ -	\$ 16,812	\$ 16,812	\$ 16,812
Food services - state inspector general office	-	95	95	95
Subtotal	-	16,907	16,907	16,907
Circuit breaker - state DESE	-	23,677	23,677	23,677
Transportation reimbursement - state DESE	56,087	-	56,087	56,087
Totals	\$ 56,087	\$ 40,584	\$ 96,671	\$ 96,671

C. Capital Assets

Asset recognition

The District's capital asset activity for the year ended June 30, 2015 was as follows.

Description	Beginning Balance	Additions	Dispositions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 17,250	\$ -	\$ -	\$ 17,250
Construction in progress	-	58,599	-	58,599
Total capital assets, not being depreciated	17,250	58,599	-	75,849
Capital assets, being depreciated:				
Buildings	38,741,947	-	-	38,741,947
Technology	2,098,539	125,588	-	2,224,127
Machinery and equipment	357,809	8,681	-	366,490
Furniture and fixtures	2,108,026	-	-	2,108,026
Vehicles	77,000	41,916	(30,342)	88,574
Total capital assets, being depreciated	43,383,321	176,185	(30,342)	43,529,164
Total capital assets, gross	43,400,571	234,784	(30,342)	43,605,013
Less accumulated depreciation for:				
Buildings	(11,288,509)	(774,839)	-	(12,063,348)
Technology	(1,920,751)	(103,621)	-	(2,024,372)
Machinery and equipment	(321,437)	(21,497)	-	(342,934)
Furniture and fixtures	(1,937,401)	(26,250)	-	(1,963,651)
Vehicles	(67,039)	(8,594)	30,342	(45,291)
Total accumulated depreciation	(15,535,137)	(934,801)	30,342	(16,439,596)
Total capital assets, net	\$ 27,865,434	\$ (700,017)	\$ -	\$ 27,165,417

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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	\$ 18,231
Instruction	103,622
Maintenance and operations	11,859
Subtotal	133,712
Unallocated	801,089
Total depreciation expense	<u>\$ 934,801</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 \$766 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, 2015

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, 2015, was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year	FY 2015 Interest Expense
Bonds payable	\$ 5,945,000	\$ 4,910,000	\$ 5,700,000	\$ 5,155,000	\$ 500,000	\$ 4,655,000	\$ 357,071
Other post-employment benefits . .	4,876,527	722,544	-	5,599,071	-	5,599,071	-
County pension obligations	5,489,706	-	15,762	5,473,944	-	5,473,944	-
Compensated absences	380,000	-	96,000	284,000	-	284,000	-
Capital lease obligations	168,790	41,916	82,715	127,991	61,454	66,537	5,502
MSBA obligations	3,276,545	-	327,655	2,948,890	327,655	2,621,235	-
Unamortized bond premium	7,513	538,350	7,513	538,350	53,835	484,515	-
Total long-term liabilities	<u>\$ 20,144,081</u>	<u>\$ 6,212,810</u>	<u>\$ 6,229,645</u>	<u>\$ 20,127,246</u>	<u>\$ 942,944</u>	<u>\$ 19,184,302</u>	<u>\$ 362,573</u>

The annual interest rate on the District's bonds payable ranges from 4.00% to 5.15%. In fiscal 2015 the general fund and the debt defeasance fund incurred bond interest expense of 258,944 and \$98,127, respectively.

As in prior years, the general operating fund's assets were used in fiscal 2015 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 \$260,294, 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.

The bond premium of \$538,350, incurred on June 10, 2015 associated with the issuance of \$4,910,000 of bonds, is being amortized on a straight-line basis over a 10 year period ending in fiscal year 2025. The annual amortization is \$53,835, and the unamortized bond premium at year-end is \$538,350.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015.

Fiscal Year	Bond Indebtedness			MSBA Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2016 . . .	\$ 500,000	\$ 194,396	\$ 694,396	\$ 327,655	\$ -	\$ 327,655
2017 . . .	505,000	178,350	683,350	327,655	-	327,655
2018 . . .	510,000	157,150	667,150	327,655	-	327,655
2019 . . .	525,000	135,550	660,550	327,655	-	327,655
2020 . . .	475,000	115,100	590,100	327,655	-	327,655
2021 . . .	500,000	95,600	595,600	327,655	-	327,655
2022 . . .	510,000	75,400	585,400	327,655	-	327,655
2023 . . .	525,000	54,700	579,700	327,655	-	327,655
2024 . . .	545,000	33,300	578,300	327,650	-	327,650
2025 . . .	560,000	11,200	571,200	-	-	-
Total . . .	\$ 5,155,000	\$ 1,050,746	\$ 6,205,746	\$ 2,948,890	\$ -	\$ 2,948,890

The following is a schedule of capital lease obligations as of June 30, 2015.

Fiscal Year	Capital Lease Obligations Payable to Vendors		
	Principal	Interest	Total
2016	\$ 61,454	\$ 5,561	\$ 67,015
2017	49,266	3,137	52,403
2018	8,346	1,198	9,544
2019	8,925	619	9,544
Total	\$ 127,991	\$ 10,515	\$ 138,506

F. Deferred outflow of resources – loss on refunding of bonds

The \$44,487 representing the loss resulting from the difference between the reacquisition price and the carrying amount of the refunded debt, which was defeased in fiscal 2015, is reported as a deferred outflow of resources in the District's governmental wide statement of net position (Exhibit A). This \$44,487 will be amortized over the life of the refunding debt which matures, in serial installments through fiscal 2025.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

4. DETAILED NOTES ON ALL FUNDS (continued)

G. 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)		
		Invested in capital assets net of related debt	Restricted	Unrestricted
	Fund Balances			
General fund:				
Unassigned-available for appropriation	\$ 479,058	\$ -	\$ -	\$ 479,058
Committed to finance OPEB obligation	106,658	-	106,658	-
Assigned to reduce subsequent years' assessments	400,000	-	-	400,000
School choice fund - restricted for expenditures	563,276	-	563,276	-
Debt defeasance fund - restricted for expenditures	2,403	-	2,403	-
Other nonmajor funds:				
Nonspendable - inventory	5,006	-	5,006	-
Restricted for expenditures	604,622	-	604,622	-
Assigned to finance OPEB obligations	63,743	-	-	63,743
Unassigned	(1,408)	-	-	(1,408)
Subtotals	2,223,358	-	1,281,965	941,393
Adjustments required by GASB #34:				
Capital assets	-	27,165,417	-	-
Indebtedness associated with capital assets:				
Bonds payable	-	(5,155,000)	-	-
MSBA obligations	-	(2,948,890)	-	-
Capital lease obligations	-	(127,991)	-	-
Other post-employment benefits obligation	-	-	-	(5,599,071)
County pension obligation	-	-	-	(5,473,944)
Compensated absences	-	-	-	(284,000)
Unamortized bond premium	-	(528,197)	(10,153)	-
Unamortized net debt refunding loss	-	44,487	-	-
Unamortized net deferred inflow of resources related to pensions	-	-	-	(29,831)
Accrued interest	-	-	-	(22,204)
Total	\$ 2,223,358	\$ 18,449,826	\$ 1,271,812	\$ (10,467,657)

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

4. DETAILED NOTES ON ALL FUNDS (continued)

H. Governmental Fund Balances

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

Description	General Fund	School Choice Fund	Debt Defeasance Fund	Other Nonmajor Funds	Total
Restricted for:					
Instruction	\$ -	\$ 563,276	\$ -	\$ 157,271	\$ 720,547
Ancillary school services	-	-	-	335,314	335,314
Maintenance and operations	-	-	-	104,287	104,287
Debt service	-	-	2,403	7,750	10,153
Total restricted	-	563,276	2,403	604,622	1,170,301
Assigned for:					
Reduction of subsequent year's assessments	400,000	-	-	-	400,000
Financing of the OPEB obligation	-	-	-	63,743	63,743
Total assigned	400,000	-	-	63,743	463,743
Committed - to finance OPEB obligation	106,658	-	-	-	106,658
Unassigned - available for appropriations	479,058	-	-	(1,408)	477,650
Nonspendable - inventory	-	-	-	5,006	5,006
Total fund balances	\$ 985,716	\$ 563,276	\$ 2,403	\$ 671,963	\$ 2,223,358

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, 2015

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, 2015 the District's insurance consultants have reported that HCHG has an accumulated surplus of approximately \$25,227,889.

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

Hampshire County Retirement System (HCRS) Pension Obligation

Plan Description 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.

Significant Accounting Policies For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the HCRS and additions to/deductions from HCRS's fiduciary net position have been determined on the same basis as they are reported by the HCRS. Investments are reported at fair value.

Contributions 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. The District's contractually required contribution rate for the year ended June 30, 2015 was 21.2% of its covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$511,587 for the year ended June 30, 2015.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

5. OTHER INFORMATION (continued)

C. Employee retirement systems and pension plans (continued)

Hampshire County Retirement System (HCRS) Pension Obligation (continued)

Pension Liability. At June 30, 2015, the District reported a liability of \$5,473,944, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated January 1, 2014. The District's proportion of the net pension liability (NPL) was calculated in the following manner: the liability related to future ERI payments was removed from the NPL, with the remainder of the NPL then being allocated using the same employer percentages as the non-ERI portion of the fiscal 2015 appropriation. Liabilities associated with ERI payments, as well as any deferred outflows resulting from contributions made subsequent to the measurement date, have been directly allocated to the employers associated with them. All other deferred outflows and inflows, as well as the pension expense, have been allocated using the non-ERI contribution percentages from the fiscal 2015 appropriation. At June 30, 2015, the District's proportion of the NPL was 2.93 percent.

Pension Expense. For the year ended June 30, 2015 the District recognized a pension expense of \$525,658.

Net Deferred Inflows of Resources Related to Pensions. At June 30, 2015 the District reported deferred outflows of resources related to pensions for the net difference between projected and actual earnings on pension plan investments of \$173,644. The District also reported deferred inflow of resources related to pensions for the changes in proportion and differences between employer contributions and proportionate share of distributions of \$203,475. This net deferred inflow of resources will be recognized in pension expense as follows:

Description	Fiscal Years						Totals
	2016	2017	2018	2019	2020	2021-2026	
Deferred outflow of resources	\$ 43,411	\$ 43,411	\$ 43,411	\$ 43,411	\$ -	\$ -	\$ 173,644
Deferred inflow of resources	20,977	20,977	20,977	20,977	20,977	98,590	203,475
Net deferred outflow/(inflow) of resources . .	\$ 22,434	\$ 22,434	\$ 22,434	\$ 22,434	\$(20,977)	\$ (98,590)	\$ (29,831)

Actuarial Assumptions. The NPL in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions:

Description	Assumption
Valuation Discount Rate	7.875%
2014 Money-Weighted Rate of Return	4.840%
Actuarial Cost Method	Entry Age Normal
Mortality Tables	RP2000 Project 19 Years with Scale BB
Experience Studies Data Provider	Hampshire County Retirement Board as of 12/31/13

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

5. OTHER INFORMATION (continued)

C. Employee retirement systems and pension plans (continued)

Hampshire County Retirement System (HCRS) Pension Obligation (continued)

Target Allocations. The long-term expected real rate of return reflects the expected rate of return on plan assets minus the expected rate of inflation. Note that the discount rate includes the effect of inflation. The long-term rate of return removes the effect of inflation on the return amounts. It is a long-term assumption and is meant to reflect a best estimate of future experience, based on the expected asset allocation. The allocation percentages are based on information provided by NCRS and the NEPC. The real rates of return shown below are based on 30-year return estimates provided by NEPC, adjusted using a 3.00% inflation assumption.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.73%
Large Cap Equities	9.00%	4.61%
Small / Mid Cap Equities	6.00%	4.85%
International Equities (Unhedged)	11.00%	5.10%
International Equities (Hedged)	0.00%	5.34%
Emerging International Equities	6.00%	6.31%
Core Bonds	7.00%	1.42%
High-Yield Bonds	3.00%	2.91%
Bank Loans	3.00%	3.16%
Global Bonds (Unhedged)	3.00%	0.00%
EMD (Local Currency)	6.00%	4.13%
Private Equities	8.00%	6.55%
Private Debt	2.00%	5.10%
Real Estate (Core)	8.00%	3.40%
Hedge Funds	11.00%	3.88%
Global Asset Allocation	16.00%	4.17%
Totals	100.00%	N/A

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

5. OTHER INFORMATION (continued)

C. Employee retirement systems and pension plans (continued)

Hampshire County Retirement System (HCRS) Pension Obligation (continued)

Valuation Discount Rate. The valuation discount rate used to measure the total pension liability (TPL) was 7.875 percent.

Sensitivity of the District's Proportionate Share of the NPL to Changes in the Valuation Discount Rate. The following presents the District's proportionate share of the NPL calculated using the valuation discount rate of 7.875 percent, as well as what the District's proportionate share of the NPL would be if it were calculated using a valuation discount rate the is 1-percentage-point lower (6.875 percent) or 1-percentage-point higher (8.875 percent) than the current rate:

Description	Valuation		
	1% Decrease (6.875%)	Discount Rate (7.875%)	1% Increase (8.875%)
District's proportionate share of the NPL	\$ 6,897,055	\$ 5,473,944	\$ 4,302,554

Pension Plan Fiduciary Net Position. The HCRS administers this defined benefit, multi-employer plan that provides retirement, survivor, disability and accident benefits. Detailed information about the pension plan's fiduciary net position is available in the separately issued HCRS financial report. This report can be obtained by writing to the Hampshire County Retirement System, Court House, 99 Main Street, Northampton, Massachusetts 01060.

Massachusetts Teachers' Retirement System (MTRS) Pension Obligation

Plan Description. MTRS is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Benefits Provided. MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

5. OTHER INFORMATION (continued)

C. Employee retirement systems and pension plans (continued)

Massachusetts Teachers' Retirement System (MTRS) Pension Obligation (continued)

Members become vested after ten-years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

Contributions. The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. 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%.

The Commonwealth is a non-employer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer. At June 30, 2015, the Commonwealth's is responsible for 100% of the \$17,213,016 which represents the net pension liability associated with the District. For the fiscal year ended June 30, 2015, the District's pension expense and revenue provided by the Commonwealth on-behalf of the District was \$1,195,871. The District reports these "on-behalf" payments as both revenues and expenditures in a special revenue revolving fund and also in its government-wide financial statements.

Actuarial Assumptions. The net pension liability ("NPL") for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. This valuation used the following assumptions:

1. (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
 - Pre-retirement – reflects RP-2000 Employees table adjusted for "white-collar" employment projected 22 years with Scale AA (gender district).
 - Post-retirement – reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender district)
 - Disability – reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender district) set forward 3 years for males.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

5. OTHER INFORMATION (continued)

C. Employee retirement systems and pension plans (continued)

Massachusetts Teachers' Retirement System (MTRS) Pension Obligation (continued)

Target Allocations. Investment assets of the MTRS are with the Pension Reserves Investment Trust ("PRIT") Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.00%	7.20%
Core Fixed Income	13.00%	2.50%
Hedge Funds	10.00%	5.50%
Private Equity	10.00%	8.80%
Real Estate	10.00%	6.30%
Value Added Fixed Income	10.00%	6.30%
Timber/Natural Resources	4.00%	5.00%
Totals	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability (TPL) was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the State's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity of the State's Responsibility for the District's Proportionate Share of the NPL to Changes in the Discount Rate. The following presents the State's Responsibility for the District's proportionate share of the NPL calculated using the discount rate of 8%, as well as what the State's responsibility for the District's proportionate share of the NPL would be if it were calculated using a valuation discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

Description	1% Decrease (7%)	Discount Rate (8%)	1% Increase (9%)
State's Responsibility for the District's proportionate share of the NPL	\$ 21,924,059	\$ 17,213,016	\$ 13,210,526

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

5. OTHER INFORMATION (continued)

D. Other post-employment benefits

Plan Description. The District participates in a defined benefit retiree medical insurance plan. The District contributes to an agent 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, 2014 - Pre 65 Plans:			
Blue Care (PPO)	\$ 7,112	N/A	\$ 19,478
Network Blue	\$ 6,223	\$ 14,493	\$ 18,576
As of January 1, 2014 - Post 65 Plans:			
Medex	\$ 3,528	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, 2015

5. OTHER INFORMATION (continued)

D. Other post-employment benefits (continued)

Annual OPEB Cost and Net OPEB Obligation. For the fiscal year ended June 30, 2015.

Description	Amount
Annual Required Contribution (ARC)	\$ 1,177,575
Interest on Net OPEB Obligation	195,061
Adjustment to ARC	(244,484)
Annual OPEB Cost (Expense)	1,128,152
Expected Benefit Payouts (assumed middle of year)	405,608
Increase in Net OPEB Obligation	722,544
Net OPEB Obligation - Beginning of the Year	4,876,527
Net OPEB Obligation - End of the Year	<u>\$ 5,599,071</u>

Funding Status. The funded status of the plan as of July 1, 2014 (the actuarial valuation date) is shown below.

Description	Amount
Actuarial Accrued Liability (AAL)	\$ 13,682,151
Actual Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 13,682,151</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll (Active Plan Members)	\$ 6,978,122
UAAL as a Percentage of Covered Payroll	196.1%

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
2013	\$ 1,231,040	\$ 411,740	33.45%	\$ 4,035,108	\$ 6,678,683	18.43%
2014	\$ 1,287,259	\$ 445,840	34.63%	\$ 4,876,527	\$ 6,845,650	18.80%
2015	\$ 1,128,152	\$ 405,608	35.95%	\$ 5,599,071	\$ 6,978,122	16.17%

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2014 actuarial valuation the following methods and assumptions were used.

Description	Assumption
Funding Interest Rate	4.00%
2014 Medical Trend Rate	8.00%
Ultimate Trend Rate	5.00%
Year Ultimate Trend Rate Reached	2020
Actuarial Cost Method	Entry Age Normal
Remaining Amortization Period at 06/30/15.	23.47
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, 2015

5. OTHER INFORMATION (continued)

D. Other post-employment benefits (continued)

Membership in the Plans. Plan memberships consist of the following as of September 1, 2014.

Description	Active Employees	Current Retirees
Average age at hire:		
Males	37.7	N/A
Females	35.6	N/A
Totals	36.1	N/A
Average service:		
Males	7.8	N/A
Females	13.2	N/A
Totals	11.9	N/A
Average current age:		
Males	45.4	70.8
Females	48.8	69.9
Totals	48.0	70.2

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

During fiscal year 2015 the following GASB pronouncements were implemented.

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. This pronouncement did 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. This pronouncement did not 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, 2015

5. OTHER INFORMATION (continued)

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

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date" issued November 2013. The objective of this statement is to address an issue relating to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement is effective for periods beginning after June 15, 2014. This pronouncement did not have a significant impact on the basic financial statements.

Other Future GASB Pronouncements

GASB Statement No. 72, "Fair Value Measurement and Application" issued February 2015. The objective of this statement is to address accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for periods beginning after June 15, 2015. Management does not believe this pronouncement will have a significant impact on the basic financial statements.

GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Financial Reporting for Pension Plans that are Not Administered Through Trusts That Meet Specified Criteria" issued June 2015. The objective of this statement is to extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities. This statement is effective for periods beginning after June 15, 2015 for the amendments to GASB-67 and 68, and for requirements related to assets held for pension plans that are not administered through trust that meet the specified criteria; and is effective for periods beginning after June 15, 2016 for all other requirements related to pensions provide through pension plans that are not administered through trust that meet the specified criteria. Management does not believe this pronouncement will have a significant impact on the basic financial statements.

GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" issued June 2015. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement is effective for periods beginning after June 15, 2016. 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, 2015

5. OTHER INFORMATION (continued)

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

GASB Statement No. 75, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans - Employers" issued June 2015. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement is effective for periods beginning after June 15, 2017. Management believes this pronouncement will have a significant impact on the basic financial statements.

GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" issued June 2015. The objective of this statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement is effective for periods beginning after June 15, 2015. Management does not believe this pronouncement will have a significant impact on the basic financial statements.

F. Refunding

On June 10, 2015, the District issued \$4,910,000 of refunding bonds, at a premium of \$538,350, with an interest rate of 4.0 percent. The net proceeds of \$5,352,530 (after payment of \$95,820 in underwriting fees, insurance and other issue costs) were used to refund \$5,200,000 of outstanding bonds, issued in 2005, at a call price of \$52,000 and to pay interest on those refunded bonds of \$98,127.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$44,487; a deferred outflow of resources which is being charged to operations, on a straight-line method, through fiscal year 2025. The District completed the refunding to reduce its total debt service payments over a period of ten years by \$521,685 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$470,436.

GATEWAY REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

5. OTHER INFORMATION (continued)

G. Restatement of Beginning Net Position

The District adopted the provisions of Governmental Accounting Standards Board Pronouncement No. 68 "Accounting and Financial Reporting for Pension" in fiscal year 2015. The effect of adopting this pronouncement was to reduce the District's beginning net position, reported in Exhibit B, by \$5,489,706 which represents the District proportionate share of the Hampshire County Retirement System's net pension liability as of June 30, 2014.

Because information associated with deferred inflows and deferred outflows related to pensions as of June 30, 2014 was not available, the \$5,489,706 restatement does not include this information.

H. Subsequent Events

Town of Worthington's Withdrawal from the District

Effective July 1, 2015, in accordance with Chapter 97 of the Acts of 2014, the Town of Worthington withdrew from the Gateway Regional School District and established its own school district.

Adoption of an Other Post-Employment Benefits Trust Account

On November 18, 2015 the District's school committee approved the motion authorizing the adoption of an Other Post-Employment Benefits Trust account with Public Agency Retirement Services.

(CONCLUDED)

SCHEDULE 1

GATEWAY REGIONAL SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF BALANCE SHEETS
AS OF JUNE 30, 2015

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<u>Assets</u>			
Pooled cash	622,876	7,750	630,626
Due from other governments	40,584	-	40,584
Inventory	5,006	-	5,006
Total assets	668,466	7,750	676,216
<u>Liabilities and fund balances</u>			
Liabilities:			
Accounts payable	716	-	716
Unearned revenue	3,537	-	3,537
Total liabilities	4,253	-	4,253
Fund balances:			
Nonspendable	5,006	-	5,006
Restricted	596,872	7,750	604,622
Assigned	63,743	-	63,743
Unassigned	(1,408)	-	(1,408)
Total fund balances	664,213	7,750	671,963
Total liabilities and fund balances	668,466	7,750	676,216

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, 2015**

	Special Revenue Funds	Capital Project Leased Vehicle Fund	Debt Service Fund	Total Other Governmental Funds
Revenues:				
Intergovernmental	972,629	-	-	972,629
Investment income	6	-	-	6
Fees and charges for services	272,956	-	-	272,956
Other	46,595	-	-	46,595
Total revenues	1,292,186	-	-	1,292,186
Other financing sources:				
Proceeds from capital lease obligations	-	41,916	-	41,916
Total revenues and other financing sources	1,292,186	41,916	-	1,334,102
Expenditures:				
Instruction	569,862	-	-	569,862
Ancillary school services	588,109	-	-	588,109
Maintenance and operations	32,688	-	-	32,688
Programs with other schools	82,790	-	-	82,790
Capital improvements	-	41,916	-	41,916
Total expenditures	1,273,449	41,916	-	1,315,365
Other financing uses:				
Transfers to the general fund	-	-	766	766
Total expenditures and other financing uses	1,273,449	41,916	766	1,316,131
Net changes in fund balances	18,737	-	(766)	17,971
Fund balance - beginning of the year	645,476	-	8,516	653,992
Fund balance - end of the year	664,213	-	7,750	671,963

See accompanying notes to the basic financial statements.

GATEWAY REGIONAL SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF BALANCE SHEETS
JUNE 30, 2015

	Assets				Liabilities			Fund Balances					Total Liabilities and Fund Balances	
	Due from				Accounts Payable	Unearned Revenue	Total	Restricted			Assigned	Unassigned		Total
	Pooled Cash	Other Governments	Inventory	Total				Non- Spendable	(See page 6-4 for details)					
<u>Revolving funds:</u>														
Adult education	973	-	-	973	-	-	-	-	973	-	-	973	973	
Athletic	168,192	-	-	168,192	680	-	680	-	167,512	-	-	167,512	168,192	
Building use	61,799	-	-	61,799	-	-	-	-	61,799	-	-	61,799	61,799	
Chester elementary	5,015	-	-	5,015	-	-	-	-	5,015	-	-	5,015	5,015	
Circuit breaker	65,417	23,677	-	89,094	-	-	-	-	89,094	-	-	89,094	89,094	
District donation	978	-	-	978	-	-	-	-	978	-	-	978	978	
Emergency planning	4,679	-	-	4,679	-	-	-	-	4,679	-	-	4,679	4,679	
Food service	(14,778)	16,907	5,006	7,135	-	3,537	3,537	5,006	-	-	(1,408)	3,598	7,135	
Friends of gateway	1,115	-	-	1,115	-	-	-	-	1,115	-	-	1,115	1,115	
High school lost textbooks	959	-	-	959	-	-	-	-	959	-	-	959	959	
Insurance	84,907	-	-	84,907	-	-	-	-	21,164	63,743	-	84,907	84,907	
Littleville elementary	13,396	-	-	13,396	-	-	-	-	13,396	-	-	13,396	13,396	
Littleville wrap around day care	152,910	-	-	152,910	-	-	-	-	152,910	-	-	152,910	152,910	
Lost library books	235	-	-	235	-	-	-	-	235	-	-	235	235	
MASCA summer camp	500	-	-	500	-	-	-	-	500	-	-	500	500	
Mass cultural council	416	-	-	416	-	-	-	-	416	-	-	416	416	
Middle school lost textbooks	20	-	-	20	-	-	-	-	20	-	-	20	20	
Parking fees	20,076	-	-	20,076	-	-	-	-	20,076	-	-	20,076	20,076	
Preschool	36	-	-	36	36	-	36	-	-	-	-	-	36	
Recycling	1,248	-	-	1,248	-	-	-	-	1,248	-	-	1,248	1,248	
Student identification	7,213	-	-	7,213	-	-	-	-	7,213	-	-	7,213	7,213	
Technology	4,586	-	-	4,586	-	-	-	-	4,586	-	-	4,586	4,586	
Tuition	8,937	-	-	8,937	-	-	-	-	8,937	-	-	8,937	8,937	
Wellness center	1,587	-	-	1,587	-	-	-	-	1,587	-	-	1,587	1,587	
<u>Federal/state/other grants:</u>														
Cultural council fy14	125	-	-	125	-	-	-	-	125	-	-	125	125	
H1N1 fy11	913	-	-	913	-	-	-	-	913	-	-	913	913	
Mass agriculture fy14	10	-	-	10	-	-	-	-	10	-	-	10	10	
Sped idea b fy15	28,844	-	-	28,844	-	-	-	-	28,844	-	-	28,844	28,844	
Sped program improvement fy15	1,085	-	-	1,085	-	-	-	-	1,085	-	-	1,085	1,085	
Title I fy15	1,483	-	-	1,483	-	-	-	-	1,483	-	-	1,483	1,483	
Total	622,876	40,584	5,006	668,466	716	3,537	4,253	5,006	596,872	63,743	(1,408)	664,213	668,466	

GATEWAY REGIONAL SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF BALANCE SHEETS
JUNE 30, 2015

	Fund Balance Restricted for			Totals (See page 6-3)
	Instruction	Ancillary School Services	Maintenance and Operations	
<u>Revolving funds:</u>				
Adult education	973	-	-	973
Athletic	-	167,512	-	167,512
Building use	-	-	61,799	61,799
Chester elementary	5,015	-	-	5,015
Circuit breaker	89,094	-	-	89,094
District donation	978	-	-	978
Emergency planning	-	4,679	-	4,679
Friends of gateway	1,115	-	-	1,115
High school lost textbooks	959	-	-	959
Insurance	-	-	21,164	21,164
Littleville elementary	13,396	-	-	13,396
Littleville wrap around day care	-	152,910	-	152,910
Lost library books	235	-	-	235
MASCA summer camp	-	500	-	500
Mass cultural council	416	-	-	416
Middle school lost textbooks	20	-	-	20
Parking fees	-	-	20,076	20,076
Recycling	-	-	1,248	1,248
Student identification	-	7,213	-	7,213
Technology	4,586	-	-	4,586
Tuition	8,937	-	-	8,937
Wellness center	-	1,587	-	1,587
<u>Federal/state/other grants:</u>				
Cultural council fy14	125	-	-	125
H1N1 fy11	-	913	-	913
Mass agriculture fy14	10	-	-	10
Sped idea b fy15	28,844	-	-	28,844
Sped program improvement fy15	1,085	-	-	1,085
Title I fy15	1,483	-	-	1,483
Total	157,271	335,314	104,287	596,872

See accompanying notes to the basic financial statements.

(Concluded)

SCHEDULE 4**GATEWAY REGIONAL SCHOOL DISTRICT****NONMAJOR SPECIAL REVENUE FUNDS****COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****FOR THE YEAR ENDED JUNE 30, 2015**

	Revenues	Expenditures	Net	Fund Balance	
	(See page 6-7 and page 6-8 for details)	(See page 6-9 and page 6-10 for details)	Changes in Fund Balances	June 30, 2014	June 30, 2015
<u>Revolving funds:</u>					
Adult education	-	-	-	973	973
Athletic	39,332	49,663	(10,331)	177,843	167,512
Building use	10,551	11,955	(1,404)	63,203	61,799
Chester elementary	641	650	(9)	5,024	5,015
Circuit breaker	89,092	82,790	6,302	82,792	89,094
District donation	250	514	(264)	1,242	978
Emergency planning	-	-	-	4,679	4,679
Food service	309,216	324,600	(15,384)	18,982	3,598
Friends of gateway	-	-	-	1,115	1,115
Henderson memorial	-	14	(14)	14	-
High school lost textbooks	171	-	171	788	959
Insurance	37,004	10,206	26,798	58,109	84,907
Littleville elementary	2,829	3,515	(686)	14,082	13,396
Littleville wrap around day care	71,311	74,880	(3,569)	156,479	152,910
Lost library books	231	415	(184)	419	235
MASCA summer camp	-	-	-	500	500
Mass cultural council	400	862	(462)	878	416
Middle school lost textbooks	-	-	-	20	20
Parking fees	8,569	10,519	(1,950)	22,026	20,076
Preschool	-	-	-	-	-
Recycling	-	8	(8)	1,256	1,248
Student identification	-	3,502	(3,502)	10,715	7,213
Technology	5,069	775	4,294	292	4,586
Tuition	2,180	5,838	(3,658)	12,595	8,937
Wellness center	19,231	19,661	(430)	2,017	1,587
Subtotal carried forward	596,077	600,367	(4,290)	636,043	631,753

See accompanying notes to the basic financial statements.

(Continued)

SCHEDULE 4**GATEWAY REGIONAL SCHOOL DISTRICT****NONMAJOR SPECIAL REVENUE FUNDS****COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2015

	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, 2014	June 30, 2015
Subtotal carried forward	596,077	600,367	(4,290)	636,043	631,753
<u>Federal/state/other grants:</u>					
Building aligned curriculum fy15	800	800	-	-	-
Cultural council fy14	125	618	(493)	618	125
Cultural council fy15	5,000	5,000	-	-	-
EC sped program improvement fy15	5,600	5,600	-	-	-
H1N1 fy11	-	-	-	913	913
Health fy15	49,200	49,200	-	-	-
Inclusive prek learning fy15	52,888	52,888	-	-	-
Mass agriculture fy14	-	-	-	10	10
Professional innovation fy15	24,754	24,754	-	-	-
School support a fy15	2,394	2,394	-	-	-
School support b fy15	2,730	2,730	-	-	-
Sped early learning fy15	13,715	13,715	-	-	-
Sped idea b fy14	31,249	37,512	(6,263)	6,263	-
Sped idea b fy15	308,277	279,433	28,844	-	28,844
Sped program improvement fy15	3,311	2,226	1,085	-	1,085
Summer academic support fy15	2,710	2,710	-	-	-
TAH - memorializing promise & conflict fy15 . .	5,232	5,232	-	-	-
Title I fy14	8,042	8,042	-	-	-
Title I fy15	130,119	128,636	1,483	-	1,483
Title I school support fy14	-	1,629	(1,629)	1,629	-
Title II fy15	49,963	49,963	-	-	-
Total	1,292,186	1,273,449	18,737	645,476	664,213

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, 2015

	Revenues				Totals (See pages 6-5 and 6-6)
	Inter- governmental	Investment Income	Fees and Charges for Services	Other	
<u>Revolving funds:</u>					
Athletic	-	-	39,332	-	39,332
Building use	-	-	10,551	-	10,551
Chester elementary	-	-	-	641	641
Circuit breaker	89,092	-	-	-	89,092
District donation	-	-	-	250	250
Food service	187,428	6	121,782	-	309,216
High school lost textbooks	-	-	-	171	171
Insurance	-	-	-	37,004	37,004
Littleville elementary	-	-	-	2,829	2,829
Littleville wrap around day care	-	-	71,311	-	71,311
Lost library books	-	-	-	231	231
Mass cultural council	-	-	-	400	400
Parking fees	-	-	8,569	-	8,569
Technology	-	-	-	5,069	5,069
Tuition	-	-	2,180	-	2,180
Wellness center	-	-	19,231	-	19,231
Subtotal carried forward	276,520	6	272,956	46,595	596,077

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, 2015

	Revenues				Totals (See pages 6-5 and 6-6)
	Inter- governmental	Investment Income	Fees and Charges for Services	Other	
Subtotal carried forward	276,520	6	272,956	46,595	596,077
<u>Federal/state/other grants:</u>					
Building aligned curriculum fy15	800	-	-	-	800
Cultural council fy14	125	-	-	-	125
Cultural council fy15	5,000	-	-	-	5,000
EC sped program improvement fy15	5,600	-	-	-	5,600
Health fy15	49,200	-	-	-	49,200
Inclusive prek learning fy15	52,888	-	-	-	52,888
Professional innovation fy15	24,754	-	-	-	24,754
School support a fy15	2,394	-	-	-	2,394
School support b fy15	2,730	-	-	-	2,730
Sped early learning fy15	13,715	-	-	-	13,715
Sped idea b fy14	31,249	-	-	-	31,249
Sped idea b fy15	308,277	-	-	-	308,277
Sped program improvement fy15	3,311	-	-	-	3,311
Summer academic support fy15	2,710	-	-	-	2,710
TAH - memorializing promise & conflict fy15 . . .	5,232	-	-	-	5,232
Title I fy14	8,042	-	-	-	8,042
Title I fy15	130,119	-	-	-	130,119
Title II fy15	49,963	-	-	-	49,963
Total	972,629	6	272,956	46,595	1,292,186

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, 2015

	Expenditures				Totals (See pages 6-5 and 6-6)
	Instruction	Ancillary School Services	Maintenance and Operations	Programs with Other Schools	
<u>Revolving funds:</u>					
Athletic	-	49,663	-	-	49,663
Building use	-	-	11,955	-	11,955
Chester elementary	650	-	-	-	650
Circuit breaker	-	-	-	82,790	82,790
District donation	514	-	-	-	514
Food service	-	324,600	-	-	324,600
Henderson memorial	14	-	-	-	14
Insurance	-	-	10,206	-	10,206
Littleville elementary	3,515	-	-	-	3,515
Littleville wrap around day care	-	74,880	-	-	74,880
Lost library books	415	-	-	-	415
Mass cultural council	862	-	-	-	862
Parking fees	-	-	10,519	-	10,519
Recycling	-	-	8	-	8
Student identification	-	3,502	-	-	3,502
Technology	775	-	-	-	775
Tuition	5,838	-	-	-	5,838
Wellness center	-	19,661	-	-	19,661
Subtotal carried forward	12,583	472,306	32,688	82,790	600,367

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, 2015

	Expenditures				Totals (See pages 6-5 and 6-6)
	Instruction	Ancillary School Services	Maintenance and Operations	Programs with Other Schools	
Subtotal carried forward	12,583	472,306	32,688	82,790	600,367
<u>Federal/state/other grants:</u>					
Building aligned curriculum fy15	800	-	-	-	800
Cultural council fy14	618	-	-	-	618
Cultural council fy15	5,000	-	-	-	5,000
EC sped program improvement fy15	5,600	-	-	-	5,600
Health fy15	-	49,200	-	-	49,200
Inclusive prek learning fy15	-	52,888	-	-	52,888
Professional innovation fy15	24,754	-	-	-	24,754
School support a fy15	2,394	-	-	-	2,394
School support b fy15	2,730	-	-	-	2,730
Sped early learning fy15	-	13,715	-	-	13,715
Sped idea b fy14	37,512	-	-	-	37,512
Sped idea b fy15	279,433	-	-	-	279,433
Sped program improvement fy15	2,226	-	-	-	2,226
Summer academic support fy15	2,710	-	-	-	2,710
TAH - memorializing promise & conflict fy15 . . .	5,232	-	-	-	5,232
Title I fy14	8,042	-	-	-	8,042
Title I fy15	128,636	-	-	-	128,636
Title I school support fy14	1,629	-	-	-	1,629
Title II fy15	49,963	-	-	-	49,963
Total	569,862	588,109	32,688	82,790	1,273,449

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, 2015

	<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	45,700	45,700	-	45,700	-	45,700
<u>Expendable trust funds:</u>						
Carmel scholarship	13,558	-	13,457	13,457	101	13,558
Euler memorial scholarship	1,250	-	1,000	1,000	250	1,250
Total expendable trust funds	14,808	-	14,457	14,457	351	14,808
Total fiduciary funds	60,508	45,700	14,457	60,157	351	60,508

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, 2015

	<u>Additions</u>			<u>Changes</u>	<u>Net Position</u>	
	Donations	Interest	Deductions	in Net	June 30,	June 30,
				Position	2014	2015
<u>Expendable trust funds:</u>						
Carmel scholarship	13,457	2	13,457	2	99	101
Euler memorial scholarship	500	-	1,000	(500)	750	250
Total expendable trust funds	13,957	2	14,457	(498)	849	351

See accompanying notes to the basic financial statements.

GATEWAY REGIONAL SCHOOL DISTRICT
RECONCILIATION OF TREASURER'S CASH
FOR THE YEAR ENDED JUNE 30, 2015

Bank checking accounts - interest bearing:		
United bank - general	78,921	
United bank - cafeteria	18,982	
United bank - student activities	8,418	
Unibank - cafeteria	2,388	
Total bank checking accounts - interest bearing		108,709
Liquid investments:		
United bank - general	1,842,632	
United bank - carmel scholarship	13,558	
United bank - student activities	37,282	
Massachusetts municipal depository trust	473,166	
Total liquid investment accounts		2,366,638
Total pooled cash		<u>2,475,347</u>

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

General fund.	1,218,534
School choice revolving fund.	563,276
Debt defeasance fund.	2,403
Other nonmajor governmental funds	630,626
Subtotal	2,414,839
Trust and agency funds	60,508
Total pooled cash.	<u>2,475,347</u>

Reconciliation between the Massachusetts Department of Revenue - Division of
Local Services - Bureau of Accounts - Automated Treasurer's Cash Report
and the financial statements as of June 30, 2015:

Total cash per treasurer's quarterly cash report	<u>2,475,347</u>
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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, 2015**

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%
07/01/14	-	13,682,151	13,682,151	0.0%	6,978,122	196.1%

See accompanying notes to the basic financial statements.

SCHEDULE 9

GATEWAY REGIONAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (UNAUDITED)
LAST 10 FISCAL YEARS

	2015	2006 Through 2014
Hampshire County Retirement System:		
District's proportion of the net pension liability	2.9%	N/A
District's proportionate share of the net pension liability	\$ 5,473,944	N/A
District's covered employee payroll	\$ 2,410,426	N/A
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	227.1%	N/A
Plan fiduciary net position as a percentage of the total pension liability	58.1%	N/A
Massachusetts Teachers' Retirement System:		
District's proportion of the net pension liability	0.0%	N/A
District's proportionate share of the net pension liability	\$ -	N/A
State's proportionate share of the net pension liability associated with the District	<u>17,213,016</u>	N/A
Total	<u>\$ 17,213,016</u>	N/A
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.0%	N/A
Plan fiduciary net position as a percentage of the total pension liability	61.6%	N/A

N/A - Information not available for these fiscal years.

See accompanying notes to the basic financial statements.

SCHEDULE 10**GATEWAY REGIONAL SCHOOL DISTRICT**

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS (UNAUDITED)
 LAST 10 FISCAL YEARS

	2015	2006 Through 2014
Hampshire County Retirement System:		
Contractually required contribution	\$ 511,587	N/A
Contributions in relation to the contractually required contribution.	<u>(511,587)</u>	N/A
Contribution deficiency (excess)	<u>\$ -</u>	N/A
District's covered-employee payroll	\$ 2,410,426	N/A
Contributions as a percentage of covered-employee payroll	21.2%	N/A

N/A - Information not available for these fiscal years.

See accompanying notes to the basic financial statements.

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

To the School Committee of the
Gateway Regional School District:

We have audited, 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 28, 2016.

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. 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 2015-001".

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 January 28, 2016.

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

STANLEY H. KULAS
Certified Public Accountant
January 28, 2016

STANLEY H. KULAS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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, 2015. 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, 2015.

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 internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

The 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
January 28, 2016

GATEWAY REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

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 unmodified.
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 "Independent Auditor's 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 unmodified 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 – Program Improvement / 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

2015-001 – Preparation of financial statements based on generally accepted accounting principles (this deficiency had been noted in the FY14 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, 2015

B FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

Significant Deficiency (Continued)

2015-001 – 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, 2015

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Program or Award Amount	Fund Balance 07/01/14	Revenues			Expenditures			Fund Balance 06/30/15
					Federal	State	Other	Federal Program Costs	Refunds to State	Other	
U.S. Department of Agriculture											
Passed Through State Dept of Elementary and Secondary Education:											
Food Distribution (NOTE C)	10.550	08-143-1	N/A	-	27,442	-	-	27,442	-	-	-
Child Nutrition Cluster:											
National School Breakfast Program	10.553	08-143-1	N/A	-	34,686	-	-	34,686	-	-	-
National School Lunch Program	10.555	08-143-1	N/A	18,982	147,517	5,225	121,788	147,517	-	142,397	3,598
Subtotal - Child Nutrition Cluster			N/A	18,982	182,203	5,225	121,788	182,203	-	142,397	3,598
TOTAL DEPARTMENT OF AGRICULTURE			-	18,982	209,645	5,225	121,788	209,645	-	142,397	3,598
U.S. Department of Education											
Passed Through State Dept of Elementary and Secondary Education:											
Title I, Part A Cluster:											
Title 1 - Grants to LEA's FY14	84.010	305-018058-2014-0672	122,039	-	8,042	-	-	8,042	-	-	-
Title 1 - School Support FY14	84.010	323-014-4-0672-O	2,754	1,629	-	-	-	1,626	3	-	-
Title 1 - Grants to LEA's FY15	84.010	305-043604-2015-0672	138,750	-	130,119	-	-	128,636	-	-	1,483
Subtotal Title I, Part A Cluster			263,543	1,629	138,161	-	-	138,304	3	-	1,483
Special Education IDEA Cluster:											
Sped IDEA B - Grants to States FY14	84.027	240-240-4-0672-O	307,810	6,263	31,249	-	-	37,512	-	-	-
Sped IDEA B - Grants to States FY15	84.027	240-165-5-0672-P	308,277	-	308,277	-	-	279,433	-	-	28,844
Sped Program Improvement FY15	84.027	274-135-5-0672-P	8,676	-	3,311	-	-	2,226	-	-	1,085
EC Sped Program Improvement FY15	84.173	298-472-5-0672-P	5,600	-	5,600	-	-	5,600	-	-	-
Sped Early Childhood Learning FY15	84.173	262-15-Gateway	13,715	-	13,715	-	-	13,715	-	-	-
Subtotal Special Education IDEA Cluster			644,078	6,263	362,152	-	-	338,486	-	-	29,929

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, 2015

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Program or Award Amount	Fund Balance 07/01/14	Revenues			Expenditures			Fund Balance 06/30/15
					Federal	State	Other	Federal Program Costs	Refunds to State	Other	
U.S. Department of Education (Continued)											
Passed Through State Dept of Elementary and Secondary Education (Continued):											
Title II Teacher Quality FY15	84.367	140-043637-2015-0672	49,963	-	49,963	-	-	49,963	-	-	-
Building Alignment Curriculum FY15	84.395	133-007-5-0672-P	800	-	800	-	-	-	800	-	-
Professional Practice Innovation FY15	84.395	213-016-5-0672-P	24,754	-	24,754	-	-	24,754	-	-	-
Subtotal Program 84.395			25,554	-	25,554	-	-	24,754	800	-	-
Subtotal - U.S. Department of Education Pass Through Programs			983,138	7,892	575,830	-	-	551,507	803	-	31,412
U.S. Department of Education Direct Programs:											
TAH - Memorializing Promise & Conflict FY15	84.215	U215X0100092	958,247	-	5,232	-	-	5,232	-	-	-
TOTAL DEPARTMENT OF EDUCATION			1,941,385	7,892	581,062	-	-	556,739	803	-	31,412
TOTAL FEDERAL ASSISTANCE			1,941,385	26,874	790,707	5,225	121,788	766,384	803	142,397	35,010

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, 2015

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, 2015. 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.

GATEWAY REGIONAL SCHOOL DISTRICT
SUMMARY OF PRIOR YEAR'S FINDINGS AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2015

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, 2014.

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 2015-001" 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.

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STANLEY H. KULAS

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES OVER COMPLIANCE APPLICABLE TO MASSACHUSETTS SCHOOL DISTRICTS' END-OF-YEAR PUPIL AND FINANCIAL REPORT

To the School Committee of the
Gateway Regional School District

We have performed the procedures specified in the Massachusetts Department of Elementary and Secondary Education's (DESE) Compliance Supplement applicable to Massachusetts School Districts to the End-of-Year Pupil and Financial Report prepared by the Gateway Regional School District (the "District") for the year ended June 30, 2015. We performed these procedures solely to assist the District and DESE evaluate the District's assertion that it has complied with the DESE requirements applicable to the preparation and filing of a Massachusetts School District's End-of-Year Pupil and Financial Report. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users.

Consequently we make no representation regarding the sufficiency of the procedures specified in the Massachusetts Department of Elementary and Secondary Education's Compliance Supplement applicable to Massachusetts School Districts to the End-of-Year Pupil and Financial Report for the purpose for which this report has been requested or for any other purpose.

We found no instances of noncompliance with the agreed-upon procedures.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the End-of-Year Pupil and Financial Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the school committee, management, 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
January 28, 2016

Department of Elementary and Secondary Education
End-of-Year Financial Report - Compliance Supplement Questionnaire
Gateway Regional School District
For the Year Ended June 30, 2015

1. Identify the accounting system used by the school department including the version.

Accounting System: Infinite Visions

Version: 3.08

2. Is the payroll system integrated with the accounting system? Yes X No

3. Is the District a municipal department? Yes No X

If yes, is the accounting system integrated with the City or Town's accounting system? Yes No

If no, please identify the accounting system and version used by the City or Town.

Accounting System:

Version:

4. Does the accounting system permit the reporting of all school district expenditures, in accordance with DESE Guidelines, by the following:

Fund	Yes <u>X</u>	No <u> </u>
DESE Function Code	Yes <u>X</u>	No <u> </u>
Object	Yes <u>X</u>	No <u> </u>
Program	Yes <u>X</u>	No <u> </u>
Location	Yes <u>X</u>	No <u> </u>

5. Is a crosswalk used to allocate costs to the End-of-Year Report?

Payroll	Yes <u> </u>	No <u>X</u>
Non-Payroll	Yes <u> </u>	No <u>X</u>

If yes, please provide a brief explanation indicating what costs are allocated and why an allocation is necessary.

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, 2015, 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 January 28, 2016, 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:

Monthly Reconciliations of Payroll Withholding Accounts

Prior Year's Comment:

Revisions to Federal Grant Compliance Requirements

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
January 28, 2016

CURRENT YEAR'S COMMENT

MONTHLY RECONCILIATIONS OF PAYROLL WITHHOLDING ACCOUNTS

Fiscal 2015 Observation: Audit adjustments were made to the general ledgers payroll withholding accounts in order to agree amounts in the general ledger to detailed supporting documentation. Payroll withholding accounts, are balance sheet accounts, and just like cash, receivable, and payable accounts should be reconciled to supporting documentation in a timely manner throughout the year.

Fiscal 2015 Recommendation: Each month, the payroll clerk should reconcile the general ledger payroll withholding accounts to supporting documentation.

PRIOR YEAR'S COMMENT

REVISIONS TO FEDERAL GRANT COMPLIANCE REQUIREMENTS

Fiscal 2014 Observation: On December 26, 2013 the federal government published in the Federal Register Document #:2013-30465 relating to changes to and consolidation of compliance requirements for federal grants. This document supersedes and/or consolidates seven different federal circulars into one so called "Super Circular". In general, the Super Circular applies to regional school districts beginning with fiscal year 2016; however, it is also effective for any federal grants awarded to the District subsequent to December 26, 2014.

The Super Circular's purpose is to streamline the guidance relating to federal awards to ease the administrative burden for grantees by eliminating unnecessary and duplicate requirements, and by focusing on areas that will achieve better outcomes and lower cost. Among other requirement issues this Super Circular stresses compliance with procurement, monitoring of sub-recipients, and time and effort reporting regarding employee wages.

Fiscal 2014 Recommendation: The District's business manager should obtain a copy of the Super Circular and adopt its relevant compliance requirements into the District's internal controls for grant management.

Fiscal 2015 Status: The District's business manager did obtain a copy of the Super Circular. The Massachusetts Association of School Business Officers ("MASBO") is in the process of preparing a prototypical internal control document for its members which will satisfy the compliance requirements of the Super Circular. Once the prototype is available the District intends to modify it to its unique environment and then adopt the modified prototype as its internal control document.