

**Gateway Unified School District
Proposition 39 and Measure G
General Obligation Bonds**

Redding, California

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2017



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Gateway Unified School District
Proposition 39 and Measure G General Obligation Bonds
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Gateway Unified School District
Redding, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure G Bond Building Fund (the Bonds) of Gateway Unified School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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 from 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 auditors' 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 District'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 District'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 opinion.

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bonds of the District as of June 30, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1, the financial statements present only the financial position and changes in financial position of the Bonds and do not purport to, and do not, present fairly the financial position of the District, as of June 30, 2017, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017, 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.

KCoe Jam, LLP

November 27, 2017
Chico, California

FINANCIAL SECTION

Gateway Unified School District
Proposition 39 and Measure G General Obligation Bonds
BALANCE SHEET

June 30, 2017

ASSETS

Cash and investments	\$	1,858,745
Accounts receivable		199

TOTAL ASSETS	\$	1,858,944
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LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable and other current liabilities	\$	-
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Fund Balance

Restricted		1,858,944
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TOTAL LIABILITIES AND FUND BALANCE	\$	1,858,944
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The accompanying notes are an integral part of these financial statements.

Gateway Unified School District
Proposition 39 and Measure G General Obligation Bonds
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

Year Ended June 30, 2017

Revenues	
Other local revenue	\$ (1,394)
Other Financing Sources (Uses)	
Interfund transfers out	(5,540)
Proceeds from long-term debt	1,496,123
Other sources	536,433
Debt issuance costs and discounts	(328,905)
Other financing source - refunding bonds	7,682,837
Other financing use - payment to refunded bond escrow agent	(7,682,837)
Total Other Financing Sources (Uses)	1,698,111
Net Change in Fund Balance	1,696,717
Fund Balance - Beginning of Year	162,227
Fund Balance - End of Year	\$ 1,858,944

The accompanying notes are an integral part of these financial statements.

Gateway Unified School District
Proposition 39 and Measure G General Obligation Bonds
NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Organization

Gateway Unified School District (the District) is governed by an elected five-member board. The District operates three elementary schools, one high school, one continuation school, and one community day school in Redding, California. The District is the sponsoring local educational agency for four charter schools. These financial statements present only the Measure G Bond Building Fund (the Bonds). These financial statements do not include financial information of the remainder of the District's funds, which accounting principles generally accepted in the United States of America require to be presented with the financial statements of the District.

On November 4, 2008, \$19,000,000 in general obligation bonds were authorized by an election held within the District. A citizens' oversight committee was appointed on January 21, 2009, to comply with the California Constitution and the *California Education Code*. The purpose of the committee is to inform the public, at least annually, regarding the appropriate use of bond proceeds. On July 8, 2009, bonds in the amount of \$6,320,718 were issued at a premium of \$413,446. The total proceeds from the bond issuance were received by the District and are to be used to modernize, replace, renovate, construct, acquire, equip, furnish, and otherwise improve the District's facilities. The District paid issuance costs totaling \$403,074 from the proceeds.

On December 4, 2013, the District issued general obligation bonds in the amount of \$6,300,281 at a discount of \$14,400. The District paid \$198,213 of issuance costs from the proceeds. Bond proceeds of \$5,317,935 were used to redeem the 2006 certificates of participation. The remaining proceeds of \$769,733 will be used for the projects noted above.

On May 16, 2017, the District issued general obligation bonds in the amount of \$9,178,960 at a premium of \$536,433. The District paid \$328,905 of issuance costs from the proceeds. Bond proceeds of \$7,682,837 were used to redeem the 2007 certificates of participation and 2009 general obligation bonds. The remaining proceeds of \$1,703,651 will be used for the projects noted above.

The refunding of the 2009 general obligation bonds was undertaken to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding general obligation bonds) of \$278,543. As a result of this refunding, total debt service payments over the next 12 years will decrease by \$341,992. The refunding of the 2007 certificates of participation was undertaken to pay off the 2007 certificates of participation. As a result of this refunding, total debt service payments over the next 25 years will increase by \$4,675,019.

The board of supervisors for Shasta County are empowered and obligated to levy property taxes, without limitation as to rate or amount (except for certain property which is taxable at limited rates), for payment of principal and maturity value of and interest on the bonds.

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP, and used by the District, are discussed below.

Gateway Unified School District
Proposition 39 and Measure G General Obligation Bonds
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Basis of Presentation

Fund Financial Statements Fund financial statements of the reporting entity are organized by funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The Measure G Bond Building Fund is a major fund, the Building Fund, of the District. The Building Fund is used to account for proceeds from the sale of bonds and expenditures for purposes authorized in the ballot measure.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus In the fund financial statements, governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within one year. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District’s Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District’s Governing Board satisfied these requirements.

Gateway Unified School District
Proposition 39 and Measure G General Obligation Bonds
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

These budgets are revised by the District's Governing Board and District Superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures legally cannot exceed appropriations by major object account.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash, Cash Equivalents, and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Shasta County Treasury (the County) as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and include accrued interest. The pool has deposits and investments with a weighted-average maturity of more than one year. As of June 30, 2017, the fair value of the County pool was 99.83% of the carrying value and is deemed to represent a material difference. Information regarding the amount of dollars invested in derivatives with the County was not available. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net decrease in the fair value of investments during the year ended June 30, 2017, was \$3,501. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on investments held at June 30, 2017, was \$3,121.

Gateway Unified School District
Proposition 39 and Measure G General Obligation Bonds
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Bond Premiums

In the governmental funds, bond premiums are reported as an other financing source when the related liability is incurred.

Equity Classifications

Governmental fund equity is classified as fund balance. Fund balance is further classified and displayed in five components:

Nonspendable Fund Balance: Consists of amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted Fund Balance: Consists of amounts that can be spent only for specific purposes because of constraints that are externally imposed by groups such as creditors, grantors, contributors, laws or regulations of other governments, or because of laws through constitutional provisions or enabling legislation.

Committed Fund Balance: Consists of amounts that can be used only for specific purposes determined by a formal action of the District's Board of Trustees. The District's Board of Trustees is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or budget adoption approved by the District's Board of Trustees.

Assigned Fund Balance: Consists of amounts that the District intends to use for specific purposes. Assignments may be established either by the District's Board of Trustees or a designee of the District's Board of Trustees.

Unassigned Fund Balance: Consists of the residual balance in the General Fund of the District that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District's Board of Trustees has provided otherwise in its commitment or assignment actions.

Gateway Unified School District
Proposition 39 and Measure G General Obligation Bonds
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Expenditures

In the fund financial statements, expenditures are classified as follows:

- Governmental funds – by character:
 - Current (further classified by function)
 - Debt service
 - Capital outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

2. CASH AND INVESTMENTS

The following is a summary of cash and investments:

June 30, 2017	Maturities	Fair Value
Investments That Are Not Securities (1)		
County treasurer's investment pool	15.4 months average	\$ 1,858,745

(1) *Investments That Are Not Securities* A “security” is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

All cash and investments are restricted to expenditures for purposes authorized in the ballot measure.

Investment Credit Risk

California Government Code, Section 53601, limits investments in commercial paper to “prime” quality of the highest ranking, or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. The District does not have an investment policy that would further limit investment choices. The District’s investment in the County investment pool is unrated.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

Gateway Unified School District
Proposition 39 and Measure G General Obligation Bonds
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

The District has the following recurring fair value measurements as of June 30, 2017:

- County treasurer's investment pool of \$1,858,745 is valued using quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).

Concentration of Credit Risk – Investments

California Government Code, Section 53635, places the following concentration limits on the County investment pool:

No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

California Government Code, Section 53601, places the following concentration limits on the District's investments:

No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in bankers' acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

3. INTERFUND TRANSACTIONS

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund transfers are as follows:

Interfund Transfer Out	Interfund Transfer In		
Building	Bond interest and redemption	\$	5,540

Gateway Unified School District
Proposition 39 and Measure G General Obligation Bonds
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Transfers are used for the following:

To move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and

To use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The specific purpose of the interfund transfers that do not occur on a routine basis are as follows:

Building Fund interfund transfer out to the Bond Interest and Redemption Fund to transfer the proceeds from the Series 2017 general obligation bonds.

4. FUND BALANCE COMPONENTS

Fund balance is composed of the following:

June 30, 2017

Restricted	
Restricted for capital projects	\$ 1,858,944

OTHER REPORTS SECTION



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

To the Board of Trustees
Gateway Unified School District
Redding, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure G Bond Building Fund of Gateway Unified School District (the District) as of and for the year ended June 30, 2017; and the related notes to the financial statements; and have issued our report thereon dated November 27, 2017.

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 opinion 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 District'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

(Continued)

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KCoe Team, LLP

November 27, 2017
Chico, California



INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

To the Board of Trustees
Gateway Unified School District
Redding, California

Report on Compliance

We have audited the Gateway Unified School District's (the District) compliance with the performance requirements for the Proposition 39 and Measure G General Obligation Bonds (the Bonds) for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for the District's compliance with those requirements.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted this performance audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to performance 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 noncompliance with the performance requirements for the Proposition 39 and the Bonds that could have a material effect on compliance occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our performance audit does not provide a legal determination on the District's compliance with the specific requirements.

Opinion

In our opinion, the District complied, in all material respects, with the performance requirements referred to above that are applicable to the District for the year ended June 30, 2017.

KCoe Isom, LLP

November 27, 2017
Chico, California

PERFORMANCE AUDIT SECTION

Gateway Unified School District
Proposition 39 and Measure G General Obligation Bonds
PERFORMANCE AUDIT

OBJECTIVES

The objectives of our performance audit were to document the expenditures charged to the voter-approved Proposition 39 and Measure G General Obligation Bonds (the Bonds); determine whether expenditures for the fiscal year ended June 30, 2017, charged to the building fund, have been made in accordance with project budgets and guidelines; note any incongruities or system weaknesses; and provide recommendations for improvements.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal year ended June 30, 2017. The expenditures included all object and project codes associated with the Bonds' projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2017, were not reviewed or included within the scope of our audit.

BACKGROUND INFORMATION

On November 4, 2008, \$19,000,000 in general obligation bonds were authorized by an election held within the District. A citizens' oversight committee was appointed on January 21, 2009, to comply with the California Constitution and the *California Education Code*. The purpose of the committee is to inform the public, at least annually, regarding the appropriate use of the bond proceeds. On July 8, 2009, bonds in the amount of \$6,320,718 were issued at a premium of \$413,446. The total proceeds from the bond issuance were received by the District and are to be used to modernize, replace, renovate, construct, acquire, equip, furnish, and otherwise improve the District's facilities. The District paid issuance costs totaling \$403,074 from the proceeds. California Constitution, Article 13A, Section 1(b)(3), requires an annual performance audit be conducted to ensure that funds have been expended only on the specific projects publicized by the District.

On December 4, 2013, the District issued general obligation bonds in the amount of \$6,300,281 at a discount of \$14,400. The District paid \$198,213 of issuance costs from the proceeds. Bond proceeds of \$5,317,935 were used to redeem the 2006 certificates of participation. The remaining proceeds of \$769,733 will be used for the projects noted above.

On May 16, 2017, the District issued general obligation bonds in the amount of \$9,178,960 at a premium of \$536,433. The District paid \$328,905 of issuance costs from the proceeds. Bond proceeds of \$7,682,837 were used to redeem the 2007 certificates of participation and 2009 general obligation bonds. The remaining proceeds of \$1,703,651 will be used for the projects noted above.

Gateway Unified School District
Proposition 39 and Measure G General Obligation Bonds
PERFORMANCE AUDIT
(Continued)

PROCEDURES PERFORMED

We obtained the building fund general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2017. Within the year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with Proposition 39 and Measure G General Obligation Bonds funding. We performed the following procedures:

- We reviewed the District's bond project publicized list of intended projects.
- We selected a sample of expenditures in the fiscal year ended June 30, 2017, and reviewed supporting documentation to ensure that funds were properly expended on the specific projects as outlined in the publicized list and that they met the requirements for bidding, if applicable.
- We compared total project expenditures to budgets to determine if there were any expenditures in excess of appropriation.
- We verified that funds were expended only for the purposes for which the bonds were issued, as specified in the official statement of bond indenture submitted by the District to the County Auditor.
- We verified that funding was not used for salaries of school administrators or other operating expenses of the District.
- We verified that the Measure G Bond Oversight Committee reviewed project expenditures and issued reports on the results of its activities at least annually.

Gateway Unified School District
Proposition 39 and Measure G General Obligation Bonds

PERFORMANCE AUDIT

(Continued)

RESULTS OF THE PROCEDURES

The District utilized bond funds for ten projects and incurred total expenditures of \$21,054,158 for the following projects:

Year Ended June 30, 2017	Budget	Expenditures			Status
		Prior	Current	Total	
Central Valley High School - multi-purpose building	\$ 2,320,525	\$ 2,316,879	\$ -	\$ 2,316,879	Completed
Buckeye School of the Arts - multi-purpose building	2,750,800	2,730,156	-	2,730,156	Completed
Buckeye School of the Arts - parking lot change order	380,000	223,377	-	223,377	Completed
2006 certificates of participation redemption	6,338,260	6,338,260	-	6,338,260	Completed
2007 certificates of participation redemption	4,680,850	-	4,680,850	4,680,850	Completed
2009 general obligation bonds redemption	3,001,987	-	3,001,987	3,001,987	Completed
Bond issuance costs	930,192	601,287	328,905	930,192	Completed
Other projects and close-outs	90,974	90,974	-	90,974	Completed
Central Valley High School - gymnasium remodel	449,748	449,748	-	449,748	Completed
Central Valley High School - tennis courts	85,000	85,000	-	85,000	Completed
District-wide bell and paging system	206,735	206,735	-	206,735	Completed
Total	\$ 21,235,071	\$ 13,042,416	\$ 8,011,742	\$ 21,054,158	

Each of the projects has been given a specific project identification number within the District's building fund. Budgets for each project are included in the financial reporting system, and actual expenditures are matched against this budget.

Gateway Unified School District
Proposition 39 and Measure G General Obligation Bonds
PERFORMANCE AUDIT
(Continued)

CONCLUSION

Based upon the procedures performed, we found that for the items tested, the District has properly accounted for the expenditures of the Proposition 39 and Measure G General Obligation Bonds. Further, it was noted that the funds were not used for salaries of school administrators or other operating expenditures. Our audit does not provide a legal determination on the District's compliance with the specific requirements.

FINDINGS AND RECOMMENDATIONS SECTION

Gateway Unified School District
Proposition 39 and Measure G General Obligation Bonds
SCHEDULE OF AUDIT FINDINGS
June 30, 2017

None.

Gateway Unified School District
Proposition 39 and Measure G General Obligation Bonds
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2017

None.