

Gateway Unified School District

County of Shasta
Redding, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2019



Gateway Unified School District

TABLE OF CONTENTS

June 30, 2019

	<u>Page Number</u>
Independent Auditors' Report	1
 FINANCIAL SECTION	
 Required Supplementary Information	
Management's Discussion and Analysis	6
 Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet – Governmental Funds	18
Reconciliation of Governmental Fund Balances to Government-Wide Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	21
Reconciliation of Net Change in Fund Balances to Change in Net Position	22
Statement of Fiduciary Net Position – Fiduciary Funds	24
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	25
Notes to the Financial Statements	26
 Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	63
Notes to the Budgetary Comparison Schedule	64
Schedule of Changes in District's Total OPEB Liability and Related Ratios	65
Schedule of District's Proportionate Share of the Net Pension Liability – California State Teachers' Retirement System	66
Schedule of District's Contributions – California State Teachers' Retirement System	67
Schedule of District's Proportionate Share of the Net Pension Liability – California Public Employees' Retirement System	68
Schedule of District's Contributions – California Public Employees' Retirement System	69
Notes to the Required Supplementary Information	70
 OTHER SUPPLEMENTARY INFORMATION SECTION	
Local Educational Agency Organization Structure	72
Schedule of Charter Schools	73
Schedule of Average Daily Attendance	74
Schedule of Instructional Time	75
Schedule of Financial Trends and Analysis	76
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	77
Schedule of Expenditures of Federal Awards	78
Note to the Other Supplementary Information	79

Gateway Unified School District

TABLE OF CONTENTS

June 30, 2019

**Page
Number**

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 <i>Government Auditing Standards</i>	81
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	83
Independent Auditors' Report on State Compliance	86

FINDINGS AND QUESTIONED COSTS SECTION

Schedule of Findings and Questioned Costs	90
Corrective Action Plan	94
Summary Schedule of Prior Audit Findings	95

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 governmental activities, each major fund, and the aggregate remaining fund information of Gateway Unified School District (the District) as of and for the year ended June 30, 2019; 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

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 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 of America. 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 opinions.

INDEPENDENT AUDITORS' REPORT

(Continued)

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, 2019; and the respective changes in financial position thereof 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 management's discussion and analysis, the budgetary comparison schedule, and the required supplementary information listed on the table of contents 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 accompanying supplementary information on pages 72 to 79, including the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITORS' REPORT

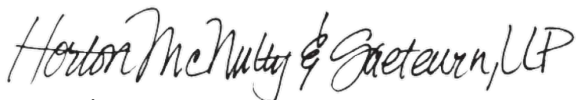
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Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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 information on pages 74 to 79 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The local educational agency organization structure and the schedule of charter schools 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 December 11, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of 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.



December 11, 2019
Chico, California

FINANCIAL SECTION

Required Supplementary Information

INTRODUCTION

An overview of the Gateway Unified School District's (the District) financial activities for the fiscal year ended June 30, 2019, is provided in this discussion and analysis of the District's financial performance. This management's discussion and analysis (MD&A) should be read in conjunction with the District's financial statements (including notes and supplementary information).

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

FINANCIAL HIGHLIGHTS

Overall revenues were \$38,117,426. Expenses exceeded revenues by \$252,628.

Total net position in governmental activities was negative \$13,416,544, a decrease of 1.9% from the previous year. The General Fund reported a total fund balance of \$9,609,279.

Enrollment in the District decreased by 1.39%, while average daily attendance (ADA) decreased by 1.14%.

The certificated, administrators, classified and confidential employees received a 2.5% one-time, off the salary schedule, increase in March 2019.

The District increased its long-term debt from \$77,692,551 in 2017-18 to \$77,766,238 in 2018-19. This represents a 0.1% increase in long-term debt overall. The additional debt is due primarily to the increase in the actuarial valuation of the total OPEB liability.

Gateway Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

USING THIS ANNUAL REPORT

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. Combined, these three parts provide a comprehensive overview of the District. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The District maintains governmental funds and fiduciary funds as follows:
 - *Governmental Funds*: Statements that provide information on how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - *Fiduciary Funds*: Statements that provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Statements

The government-wide statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets owned less the liabilities owed. The statement of activities includes all of the current year's revenues and expenses regardless of when cash is received or paid. The two statements report the District's net position and how it has changed.

Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

Gateway Unified School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

The statement of net position and the statement of activities divide the District into two kinds of activities:

Governmental Activities: Represent the basic services provided by the District, such as regular and special education, administration, and transportation.

Business-Type Activities: Represent services for which the District charges fees to help cover the cost of certain services beyond the scope of normal district operations. The District does not have any of these types of activities at this time.

Fund Financial Statements

More detailed information about the District's most significant funds – not the District as a whole – is provided in the fund financial statements. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by bond covenants and by state law.
- Other funds are established by the District to control and manage money for particular purposes (such as repaying its long-term debts). Other funds may also show proper usage of certain revenues (such as federal grants).

The District has two types of funds:

Governmental Funds

Most of the District's basic services are included in governmental funds, which generally focus on:

- How cash and other financial assets can readily be converted to cash flow (in and out).
- The balances left at year end that are available for spending.

A detailed short-term view is provided by the governmental fund statements. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided following the governmental fund statements that explains the differences (or relationships) between them.

Fiduciary Funds

For assets that belong to others, such as the student activities funds, the District acts as the trustee, or fiduciary. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. A separate statement of fiduciary net position reports the District's fiduciary activities. These activities are excluded from the government-wide financial statements, as the assets cannot be used by the District to finance its operations.

Gateway Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

As shown in the following table, the District's net position as of June 30, 2019, was a negative \$13,416,544. Of this amount, a negative \$21,491,692 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the Board of Trustees' ability to use the net position for day-to-day operations. All District net position is the result of governmental activities.

June 30	Governmental Activities		Percentage Change 2018-19
	2018	2019	
ASSETS			
Cash and investments	\$ 11,859,006	\$ 13,485,277	13.7%
Receivables	2,847,760	3,666,815	28.8%
Other assets	356,584	225,813	-36.7%
Capital assets - net	42,269,286	42,472,780	0.5%
TOTAL ASSETS	57,332,636	59,850,685	4.4%
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources for pensions	9,515,252	8,559,057	-10.0%
Deferred outflows of resources for OPEB	-	365,929	N/A
Deferred loss on advance refunding	1,230,212	1,153,794	-6.2%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,745,464	10,078,780	-6.2%
LIABILITIES			
Accounts payable and other liabilities	1,439,463	2,652,684	84.3%
Advances from grantors	522,497	437,869	-16.2%
Long-term debt	77,692,551	77,766,238	0.1%
TOTAL LIABILITIES	79,654,511	80,856,791	1.5%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pensions	1,587,505	2,489,218	56.8%
NET POSITION			
Net investment in capital assets	1,534,334	872,736	-43.1%
Restricted	5,695,725	7,202,412	26.5%
Unrestricted	(20,393,975)	(21,491,692)	-5.4%
TOTAL NET POSITION	\$ (13,163,916)	\$ (13,416,544)	-1.9%

Gateway Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Change in Net Position

The following table summarizes the changes in net position for the District.

Total revenues increased 10.2% from the previous year to \$38,117,426. Property taxes and state aid funding accounted for most of the District's revenue, representing 71.9 cents of each dollar raised. Another 18.2% came from federal and state aid for specific programs, and the remaining 9.9% came from fees charged for services and miscellaneous sources. Other revenues includes the extraordinary item related to fire insurance proceeds.

The total cost of all programs and services increased 1.7% to \$38,370,054. Expenses exceeded the District's revenues for the year by \$252,628. The District's expenses are primarily related to educating and caring for students (77.2%). Administrative activities of the District account for 7.3% of the total costs.

Years Ended June 30	Governmental Activities		Percentage
	2018	2019	Change 2018-19
REVENUES			
Program Revenues			
Charges for services	\$ 1,777,237	\$ 2,074,448	16.7%
Operating grants and contributions	6,594,853	6,950,109	5.4%
General Revenues and Extraordinary Item			
State formula aid	9,791,776	10,945,304	11.8%
Property taxes	15,221,967	16,478,913	8.3%
Other	1,192,254	1,668,652	40.0%
TOTAL REVENUES	34,578,087	38,117,426	10.2%
EXPENSES			
Instruction	21,927,442	21,901,836	-0.1%
Instructional-related services	3,244,770	3,263,837	0.6%
Pupil services	4,210,147	4,451,961	5.7%
General administration	2,425,548	2,781,873	14.7%
Plant services	3,247,686	3,375,491	3.9%
Ancillary services	498,459	500,318	0.4%
Community services	137,735	20,291	-85.3%
Other outgo	88,278	63,741	-27.8%
Interest on long-term debt	1,964,524	2,010,706	2.4%
TOTAL EXPENSES	37,744,589	38,370,054	1.7%
Change in Net Position	\$ (3,166,502)	\$ (252,628)	92.0%

Gateway Unified School District
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The District's governmental funds reported a combined fund balance of \$14,570,714, an increase of \$1,157,894 from the previous year. Following is a summary of the District's fund balances.

June 30	Fund Balance		Increase (Decrease)
	2018	2019	
General	\$ 8,571,058	\$ 9,609,279	\$ 1,038,221
Cafeteria Special Revenue	97,506	122,527	25,021
Building	1,709,168	704,432	(1,004,736)
Capital Facilities	556,189	970,142	413,953
Special Reserve Capital Projects	2,229	2,294	65
Bond Interest and Redemption	2,476,670	3,162,040	685,370
Totals	\$ 13,412,820	\$ 14,570,714	\$ 1,157,894

The increase in the General Fund is due primarily to the LCFF COLA increase from 1.56% to 3.7% along with the unduplicated percentage increasing from 70.86% to 73.56%, and the implementation of a spending slow-down in January. Also one-time grant funding was received and not yet spent.

The increase in the Cafeteria Special Revenue Fund is due to increased federal revenue.

The decrease in the Building Fund is due to district-wide improvements for fencing and bell/paging systems.

The increase in the Capital Facilities Fund is due to accumulated fund balance from developer fees collected in excess of current-year expenditures.

The increase in the Bond Interest and Redemption Fund is due to property tax collections in excess of the normally scheduled general obligation bond payments. The excess will be needed in future years to pay scheduled general obligation bond payments.

Gateway Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

General Fund Budgetary Highlights

During the course of the year, the District revises its budget as information is available that results in changes in revenues and expenditures. A schedule showing the District's original and final budget amounts compared with the amounts actually paid and received for the General Fund is provided in the budgetary comparison schedule for the General Fund.

The District budgeted expenditures and other financing uses to exceed revenues and other financing sources by \$537,462. However, actual results for the year reflected a surplus of \$1,038,221. The significant budget amendments fell into the following categories:

- Budget revisions to reflect funding levels approved in the state budget.
- Budget revisions to reflect unexpended balances carried forward from the prior year.
- Budget revisions to update revenues and expenditures for fluctuations in enrollment and average daily attendance (ADA) data.
- Budget revisions to reflect new grants and entitlements.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

The District has invested \$42,472,780 in capital assets including land, site improvements, buildings, and equipment. During the year, the District completed district-wide fencing and bell/paging system improvements and various other improvement projects. The District also purchased two electric busses.

June 30	Governmental Activities		Percentage
	2018	2019	Change
			2018-19
Land	\$ 341,760	\$ 341,760	0.0%
Construction in progress	58,181	99,890	71.7%
Buildings and improvements	71,233,006	72,540,286	1.8%
Equipment	4,082,132	4,732,877	15.9%
Accumulated depreciation	(33,445,793)	(35,242,033)	5.4%
Totals	\$ 42,269,286	\$ 42,472,780	0.5%

Gateway Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Long-Term Debt

At year end, the District had \$77,766,238 in outstanding long-term debt. The change in long-term debt is due principally to the increase in the actuarial valuation of the total OPEB liability. Additionally, the District made normally scheduled payments on its general obligation bonds. The District has no plans to incur additional long-term debt in 2019-20.

June 30	Governmental Activities		Percentage Change 2018-19
	2018	2019	
General obligation bonds	\$ 32,802,114	\$ 31,466,614	-4.1%
Bond issue premiums	1,426,606	1,249,901	-12.4%
Bond capitalized interest	9,445,612	10,741,755	13.7%
Compensated absences	152,519	118,947	-22.0%
Total OPEB liability	1,719,854	2,010,250	16.9%
Net pension liability	32,145,846	32,178,771	0.1%
Totals	\$ 77,692,551	\$ 77,766,238	0.1%

FACTORS BEARING ON THE DISTRICT'S FUTURE

There are several compelling factors that pose a significant risk to the fiscal health of the District: the increasing risk of an economic downturn as the expansion cycle exceeds most previous cycles, the ongoing increases in California's minimum wage, increases in the percentage of employer contributions to the State Teachers' Retirement System: 16.28% in 2018-19, 17.1% in 2019-20, and 18.4% in 2020-21, along with projected increases in the percent of employer contributions to the Public Employees' Retirement System: 18.1% in 2018-19, 19.72% in 2019-20, 22.7% in 2020-21 and 24.6% in 2021-22. In addition, the District has experienced declining enrollment, which will result in a decrease in Local Control Funding Formula (LCFF) revenue.

LCFF was fully funded at 3.7% for the 2018-19 fiscal year, and the increase gave the District the ability to fund a one-time salary increase and increase the ending fund balance. Estimates of future year increases to LCFF are limited to COLA alone, and are unlikely to be able to fund the increased costs associated with step and column and the escalating employer retirement system costs.

The District has contracts through June 30, 2019, with the California School Employees Association bargaining group and through June 30, 2019, with the Gateway Teachers' Association bargaining group. The contracts allow for renegotiation of compensation issues each year. 2019-20 negotiations are not settled for any of the employee groups at this time.

Gateway Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The Board of Trustees has consistently demonstrated in the past that it is prepared to take the steps necessary to ensure the District's solvency. The District will practice conscientious stewardship when managing its limited resources.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. For questions regarding this report or for additional financial information, please contact:

Steve Henson, Director of Business Services
Gateway Unified School District
4411 Mountain Lakes Boulevard
Redding, CA 96001
(530) 245-7915

Basic Financial Statements

Gateway Unified School District

STATEMENT OF NET POSITION

June 30, 2019	Governmental Activities
ASSETS	
Cash and investments	\$ 13,485,277
Accounts receivable	962,001
Due from other governments	2,704,814
Inventories	31,600
Prepaid expenses	194,213
Nondepreciated capital assets	441,650
Depreciated capital assets	77,273,163
Accumulated depreciation	(35,242,033)
TOTAL ASSETS	59,850,685
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for pensions	8,559,057
Deferred outflows of resources for OPEB	365,929
Deferred loss on advance refunding	1,153,794
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,078,780
LIABILITIES	
Overdraft in county treasury	23,215
Accounts payable and other current liabilities	1,435,860
Due to other governments	1,193,609
Advances from grantors	437,869
Long-term obligations:	
Due within one year	1,784,025
Due beyond one year	75,982,213
TOTAL LIABILITIES	80,856,791
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for pensions	2,489,218
NET POSITION	
Net investment in capital assets	872,736
Restricted for capital projects	1,674,574
Restricted for debt service	3,162,040
Restricted for educational programs	2,275,621
Restricted for other purposes	90,177
Unrestricted	(21,491,692)
TOTAL NET POSITION	\$ (13,416,544)

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

Gateway Unified School District
STATEMENT OF ACTIVITIES

Year Ended June 30, 2019	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position - Governmental Activities
		Charges for Services	Operating Grants and Contributions	
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental activities:				
Instruction	\$ 21,901,836	\$ 1,478,175	\$ 4,277,112	\$ (16,146,549)
Instruction-related services	3,263,837	340,985	296,986	(2,625,866)
Pupil services	4,451,961	184,520	2,047,984	(2,219,457)
Ancillary services	500,318	-	2,905	(497,413)
Community services	20,291	10,523	5,513	(4,255)
General administration	2,781,873	60,245	291,105	(2,430,523)
Plant services	3,375,491	-	16,824	(3,358,667)
Other outgo	63,741	-	11,680	(52,061)
Interest on long-term debt	2,010,706	-	-	(2,010,706)
Total Governmental Activities	\$ 38,370,054	\$ 2,074,448	\$ 6,950,109	(29,345,497)
GENERAL REVENUES				
Property taxes - levied for general purposes				13,321,509
Property taxes - levied for debt service				2,796,071
Property taxes - levied for other specific purposes				361,333
Federal and state aid not restricted to specific purposes				10,945,304
Unrestricted investment earnings				355,506
Interagency revenues				130,680
Miscellaneous				1,040,722
TOTAL GENERAL REVENUES AND TRANSFERS				28,951,125
Extraordinary Item				141,744
Change in Net Position				(252,628)
Net Position - Beginning of Year				(13,163,916)
Net Position - End of Year				\$ (13,416,544)

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

Gateway Unified School District
BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2019	General Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 8,638,219	\$ 3,162,040	\$ 1,685,018	\$ 13,485,277
Accounts receivable	928,105	-	33,896	962,001
Due from other governments	2,554,770	-	150,044	2,704,814
Due from other funds	70,915	-	-	70,915
Inventories	-	-	31,600	31,600
Prepaid expenditures	193,813	-	400	194,213
TOTAL ASSETS	\$ 12,385,822	\$ 3,162,040	\$ 1,900,958	\$ 17,448,820
LIABILITIES AND FUND BALANCES				
Liabilities				
Overdraft in county treasury	\$ -	\$ -	\$ 23,215	\$ 23,215
Accounts payable and other current liabilities	1,145,065	-	7,433	1,152,498
Due to other governments	1,193,609	-	-	1,193,609
Due to other funds	-	-	70,915	70,915
Advances from grantors	437,869	-	-	437,869
Total Liabilities	2,776,543	-	101,563	2,878,106
Fund Balances				
Nonspendable	205,713	-	32,750	238,463
Restricted	2,275,621	3,162,040	1,764,351	7,202,012
Assigned	2,577,004	-	2,294	2,579,298
Unassigned	4,550,941	-	-	4,550,941
Total Fund Balances	9,609,279	3,162,040	1,799,395	14,570,714
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,385,822	\$ 3,162,040	\$ 1,900,958	\$ 17,448,820

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

Gateway Unified School District

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENT-WIDE NET POSITION

June 30, 2019

Total Fund Balances - Governmental Funds \$ 14,570,714

Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$ 77,714,813
Accumulated depreciation	(35,242,033)

Total Capital Assets - Net 42,472,780

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owed at the end of the period was:

(283,362)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds	43,458,270
Net pension liability	32,178,771
Total OPEB liability	2,010,250
Compensated absences	118,947
Deferred loss on debt refunding	(1,153,794)

Total Long-Term Liabilities (76,612,444)

Balance Forward \$ (19,852,312)

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

Gateway Unified School District

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENT-WIDE NET POSITION (Continued)

June 30, 2019

Balance Brought Forward	\$ (19,852,312)
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:	
Deferred outflows of resources relating to pensions	8,559,057
Deferred inflows of resources relating to pensions	(2,489,218)
Deferred outflows and inflows of resources relating to other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported:	
Deferred outflows of resources relating to OPEB	365,929
Total Net Position - Governmental Activities	\$ (13,416,544)

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

Gateway Unified School District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Year Ended June 30, 2019	General Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 13,321,509	\$ 2,796,071	\$ -	\$ 16,117,580
Local control funding formula sources	9,833,795	-	-	9,833,795
Other state revenue	4,995,983	-	101,055	5,097,038
Federal revenue	2,567,097	-	1,074,770	3,641,867
Other local revenue	4,439,729	64,617	642,182	5,146,528
Total Revenues	35,158,113	2,860,688	1,818,007	39,836,808
Expenditures				
Current:				
Instruction	20,862,886	-	-	20,862,886
Instruction-related services	3,310,158	-	1,337,962	4,648,120
Pupil services	3,646,834	-	-	3,646,834
Ancillary services	508,859	-	-	508,859
Community services	20,291	-	-	20,291
General administration	2,321,300	-	81,906	2,403,206
Plant services	3,186,019	-	40,520	3,226,539
Transfers between agencies	63,741	-	-	63,741
Debt service:				
Principal	-	1,335,500	-	1,335,500
Interest and other charges	-	839,818	3,100	842,918
Capital outlay	226,548	-	1,035,216	1,261,764
Total Expenditures	34,146,636	2,175,318	2,498,704	38,820,658
Excess (Deficiency) of Revenues Over Expenditures	1,011,477	685,370	(680,697)	1,016,150
Other Financing Sources (Uses)				
Interfund transfers in	-	-	115,000	115,000
Interfund transfers out	(115,000)	-	-	(115,000)
Total Other Financing Sources (Uses)	(115,000)	-	115,000	-
Extraordinary Item	141,744	-	-	141,744
Net Change in Fund Balances	1,038,221	685,370	(565,697)	1,157,894
Fund Balances - Beginning of Year	8,571,058	2,476,670	2,365,092	13,412,820
Fund Balances - End of Year	\$ 9,609,279	\$ 3,162,040	\$ 1,799,395	\$ 14,570,714

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

Gateway Unified School District

RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET POSITION

Year Ended June 30, 2019

Total Net Change in Fund Balances - Governmental Funds	\$ 1,157,894
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Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	\$ 2,447,935
Depreciation expense	(1,949,178)

Net Capital Outlay	498,757
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Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

1,475,000

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(295,263)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owed at the end of the period, less matured interest paid during the period but owed from the prior period, was:

(1,407,575)

Balance Forward	\$ 1,428,813
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The accompanying notes are an integral part of these financial statements.

Gateway Unified School District

RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET POSITION

(Continued)

Year Ended June 30, 2019

Balance Brought Forward	\$ 1,428,813
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:	33,572
Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:	(1,890,833)
Other postemployment benefits (OPEB): In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:	75,533
Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding, for the period is:	100,287
Change in Net Position of Governmental Activities	\$ (252,628)

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

Gateway Unified School District

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

June 30, 2019	Foundation Private- Purpose Trust		Agency
ASSETS			
Cash and investments	\$	273,788	\$ 81,712
Accounts receivable		-	6,448
Inventories		-	2,168
TOTAL ASSETS		273,788	\$ 90,328
LIABILITIES			
Accounts payable		-	\$ 48,665
Due to student groups		-	41,663
TOTAL LIABILITIES		-	\$ 90,328
NET POSITION			
Held in trust for scholarships	\$	273,788	

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

Gateway Unified School District

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUND

	Foundation Private- Purpose Trust
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Year Ended June 30, 2019	
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Additions	
Interest and investment earnings	\$ 4,610
Donations	12,398
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Total Additions	17,008
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Deductions	
Scholarships awarded	40,794
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Change in Net Position	(23,786)
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Net Position - Beginning of Year	297,574
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Net Position - End of Year	\$ 273,788
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The accompanying notes are an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

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, one community day school, and one long-term independent study program in Redding, California. The District is the sponsoring local education agency for one charter school.

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.

Implementation of New Accounting Standard

The District adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* for fiscal year ended June 30, 2019. This statement improves the information disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Accordingly, the District's financial statements have been presented in accordance with the guidance from this statement. The statement has been applied retrospectively to all periods presented.

Financial Reporting Entity

The District's financial reporting entity comprises the following:

Primary government:

Gateway Unified School District

Blended component units:

Gateway Unified School District Financing Corporation

Criteria for determining if other entities are potential component units, which should be reported within the District's basic financial statements, are identified and described in the GASB, *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the District is financially accountable and other organizations that the nature and significance of their relationship with the District is such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Blended Component Units Separate legal entities that meet the component unit criteria described above, and whose governing body is the same or substantially the same as the District's governing board or the component unit, that provide services entirely to the District. These component units' funds are blended into those of the District by appropriate activity type to compose the primary government presentation.

Discretely Presented Component Units Separate legal entities that meet the component unit criteria described above, but do not meet the criteria for blending. Currently, the District has no discretely presented component units.

Blended Component Units

The component unit that is blended into the reporting activity of the District's report is as follows:

Gateway Unified School District Financing Corporation (the Corporation) is reported as a capital projects fund. The Corporation was formed for the sole purpose of financially assisting the District. The District has assumed a "moral obligation" and a potential legal obligation for any debt incurred by the Corporation.

Basis of Presentation

Government-Wide Financial Statements The statement of net position and statement of activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function; and, therefore, are clearly identifiable to a particular function. Program revenues include: (a) fees, fines, and charges paid by recipients of goods or services offered by the major programs; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and unrestricted grants and contributions, are presented as general revenues.

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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. An emphasis is placed on major funds within the governmental and proprietary categories. 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 funds of the financial reporting entity are described below.

Governmental Funds

General Fund The general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds Funds that are established to account for the proceeds from specific resources that are restricted to the financing of particular activities.

1. Cafeteria Special Revenue Fund is used to account separately for federal, state, and local resources received to operate the District's food service program (*California Education Code*, Sections 38091 and 38100).

Capital Projects Funds Funds that are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

1. Building Fund exists primarily to account separately for proceeds from the sale of bonds (*California Education Code*, Section 15146).
2. Capital Facilities Fund is used primarily to account for funds received from fees levied on developers or others as a condition for approving development (*California Education Code*, Sections 17620-17626).
3. Special Reserve Fund is used to account for resources designated for capital outlay projects (*California Education Code*, Section 42840).

Debt Service Funds Funds that are established to account for the accumulation of resources for the payment of the principal and interest on long-term debt.

1. Bond Interest and Redemption Fund is used to account for the repayment of bonds (*California Education Code*, Sections 15125-15262).

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fiduciary Funds

Private-Purpose Trust Funds Funds that are used to account for assets held by the District as trustee pursuant to formal agreements with donors and under which neither principal nor income may be used for purposes that support the District's own programs. The Foundation Private-Purpose Trust Fund is used to account separately for gifts or bequests that provide scholarships to students of the District.

Agency Funds Funds that are used to account for assets of others for whom the District acts as an agent.

1. Warrant/Pass-Through Fund is used to account for amounts collected from employees for federal taxes, state taxes, credit unions, and other contributions.
2. Student Body Fund is used to account for the transactions of the associated student body in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*California Education Code, Sections 48930-48938*).

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Major Governmental Funds:

- General Fund
- Bond Interest and Redemption Fund

Nonmajor Governmental Funds:

- Cafeteria Special Revenue Fund
- Building Fund
- Capital Facilities Fund
- Special Reserve Capital Projects Fund

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 On the government-wide statement of net position and the statement of activities, both governmental and business-like activities are presented using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting In the government-wide statement of net position and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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.

These budgets are revised by the District’s Governing Board and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund as required supplementary information.

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.

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 less than one year. As of June 30, 2019, the fair value of the County pool was 100.68% 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 increase in the fair value of investments during the year ended June 30, 2019, was \$156,087. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at June 30, 2019, was \$90,493.

Accounts Receivable and Due From Other Governments

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed, but not received, as of June 30, 2019. Amounts due from other governments include entitlements and grants from federal, state, and local governments that the District has earned or been allocated, but has not received, as of June 30, 2019. At June 30, 2019, no allowance for doubtful accounts was deemed necessary.

Balances Due To/From Other Funds

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Balances due to/from other funds between funds within governmental activities are eliminated in the statement of net position.

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Inventories and Prepaid Expenses

Inventories consist of supplies and materials. Expenses are recorded as the supplies and materials are consumed. Inventories are valued on the average cost method for purchased supplies and materials. Donated commodities inventory is valued at its fair value at the time of donation. Prepaid expenses consist of operating expenses for which payment is due in advance and are expensed when the benefit is received.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bond using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. In the governmental funds, these costs are reported as an other financing source when the related liability is incurred.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the District as assets with an initial, individual cost of \$25,000 or more and an estimated useful life in excess of one year. All fixed assets are valued at historical cost, or estimated historical cost if the actual cost is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2001.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives in years by type of asset is as follows:

School buildings	50
Portable classrooms	25
Site improvements	7-30
Equipment	5-15
Vehicles	8

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Advances From Grantors

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Advances from grantors are recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures.

Compensated Absences

The liability for earned but unused vacation leave is recorded as long-term debt for compensated absences in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), which will only be recognized as an outflow of resources (expense/expenditures) in the future. District contributions subsequent to the measurement date related to pension plans, are reported as deferred outflows of resources in the government-wide statement of net position. District contributions subsequent to the measurement date will be amortized during the next fiscal year.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and would only be recognized as an inflow of resources (revenue) at that time.

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Changes in proportion and differences between the District's contributions and proportionate share of pension contributions, the District's proportionate share of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and the differences between the District's expected and actual experience, are reported as deferred inflows of resources or deferred outflows of resources in the government-wide statement of net position. These amounts are amortized over the estimated service lives of the pension plan participants.

Differences between projected and actual earnings on OPEB plan investments, changes in assumptions, and the differences between the District's expected and actual experience, are reported as deferred inflows of resources or deferred outflows of resources in the government-wide statement of net position. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan.

The District also has a deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Equity Classifications

Government-Wide Statements Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, leases, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.

Unrestricted Net Position: Consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fund Statements 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 that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts of at least \$1,250,000. In the event that the balance drops below the established minimum level, the District's Board of Trustees will develop a plan to replenish the fund balance to the established minimum.

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.

Local Control Funding Formula Grant and Property Tax

The District's local control funding formula (LCFF) grant is received from a combination of local property taxes and state apportionments.

Shasta County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the County. Secured property taxes attach as an enforceable lien on property as of January 1. Property taxes on the secured roll are due on November 1 and February 1 and become delinquent after December 10 and April 10, respectively.

Secured property taxes are recorded as revenue when apportioned in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

Property taxes are recorded as LCFF sources by the District. The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state's General Fund and is referred to as the state apportionment. The District's LCFF provides a base grant per average daily attendance (ADA), which varies by grade span, plus supplemental and concentration grants that reflect student demographic factors and categorical programs.

Revenue – Nonexchange Transactions

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Expenditures and Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

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.

Pensions

Deferred outflows of resources/deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and California Public Employees' Retirement System (CalPERS), and additions to/deductions from STRP's and CalPERS's fiduciary net position have been determined on the same basis as they are reported by California State Teachers' Retirement System (CalSTRS) and CalPERS for purposes of measuring the net pension liability. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable with the benefit terms. Investments are reported at fair value.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Gateway Unified School District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

2. CASH AND INVESTMENTS

The following is a summary of cash and investments:

June 30, 2019	Maturities	Fair Value
Petty cash/cash awaiting deposit		\$ 2,150
Deposits (1)		47,449
Subtotal		49,599
Investments That Are Not Securities (2)		
County treasurer's investment pool (net of overdraft)	11.4 months average	13,767,963
Total Cash and Investments		13,817,562
Less: Trust fund cash and investments		273,788
Less: Agency fund cash and investments		81,712
Total Cash and Investments Per Government-Wide Statement of Net Position (Net of Overdraft in County Treasury)		\$ 13,462,062

(1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.

(2) **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.

Credit Risk – Investments

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 has no investment policy that would further limit its 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
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The District has the following recurring fair value measurements as of June 30, 2019:

- County treasurer's investment pool (net of overdraft) of \$13,767,963 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. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

June 30, 2019	General Fund	Other Governmental Funds
Interest	\$ 6,406	\$ -
Other	921,699	33,869
Total	\$ 928,105	\$ 33,869

Gateway Unified School District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

4. DUE FROM OTHER GOVERNMENTS

Due from other governments consisted of the following:

June 30, 2019	General Fund	Other Governmental Funds
Due From		
Federal government	\$ 1,370,572	\$ 140,076
State government	870,409	9,968
Local governments	313,789	-
Total	\$ 2,554,770	\$ 150,044

5. INTERFUND TRANSFERS AND BALANCES DUE TO/FROM OTHER FUNDS

Balances Due To/From Other Funds

Balances due to/from other funds in the fund financial statements are as follows:

Due From Other Funds	Due to Other Funds	
General	Cafeteria Special Revenue	\$ 70,915

The specific purposes of the balances due to/from other funds are as follows:

General Fund interfund receivable from the Cafeteria Special Revenue Fund for indirect costs allocation.

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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	
General	Cafeteria Special Revenue	\$ 115,000

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.

There were no transfers that were not routine or inconsistent with the activities of the funds making the transfer.

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

6. CAPITAL ASSETS

Capital assets activity is as follows:

Year Ended June 30, 2019	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Nondepreciated Capital Assets				
Land	\$ 341,760	\$ -	\$ -	\$ 341,760
Construction in progress	58,181	41,709	-	99,890
Total Nondepreciated Capital Assets	399,941	41,709	-	441,650
Depreciated Capital Assets				
Buildings and improvements	71,233,006	1,512,746	205,466	72,540,286
Equipment and vehicles	4,082,132	893,480	242,735	4,732,877
Total Depreciated Capital Assets	75,315,138	2,406,226	448,201	77,273,163
Totals at Historical Cost	75,715,079	2,447,935	448,201	77,714,813
Less: Accumulated Depreciation				
Buildings and improvements	29,890,864	1,736,354	34,244	31,592,974
Equipment and vehicles	3,554,929	212,824	118,694	3,649,059
Total Accumulated Depreciation	33,445,793	1,949,178	152,938	35,242,033
Total Depreciated Capital Assets - Net	41,869,345	457,048	295,263	42,031,130
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS - NET	\$ 42,269,286	\$ 498,757	\$ 295,263	\$ 42,472,780

Depreciation expense was charged to governmental activities as follows:

Year Ended June 30, 2019	
Governmental Activities	
Instruction	\$ 1,733,773
Instruction - related services	5,098
Pupil services	171,463
General administration	35,713
Plant services	3,131
Total Depreciation Expense - Governmental Activities	\$ 1,949,178

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

June 30, 2019	General Fund	Other Governmental Funds
Vendors	\$ 974,129	\$ 6,372
Salaries and benefits	170,391	1,061
Other	545	-
Total	\$ 1,145,065	\$ 7,433

8. DUE TO OTHER GOVERNMENTS

Due to other governments consisted of the following:

June 30, 2019	General Fund
Due To	
Federal government	\$ 21,383
State government	734,166
Local governments	438,060
Total	\$ 1,193,609

9. BONDED DEBT

The outstanding general obligation bonded debt is as follows:

Issue Date	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2018	Redeemed Current Year	Outstanding June 30, 2019
2002	3.0-7.5%	2027	\$ 9,998,161	\$ 468,161	\$ -	\$ 468,161
2004	5.43-12.0%	2038	11,996,807	4,786,807	-	4,786,807
2009	2.5-12.0%	2034	6,320,718	2,711,602	209,431	2,502,171
2011	2.0-4.0%	2024	7,655,000	5,460,000	615,000	4,845,000
2013	1.13-6.27%	2040	6,300,281	5,936,584	131,069	5,805,515
2014	2.0-5.0%	2027	5,360,000	4,310,000	365,000	3,945,000
2017	2.0-5.25%	2042	2,800,000	2,750,000	-	2,750,000
2017	2.0-4.0%	2028	6,378,960	6,378,960	15,000	6,363,960
Total			\$ 56,809,927	\$ 32,802,114	\$ 1,335,500	\$ 31,466,614

The amount of interest cost incurred during the year ended June 30, 2019, was \$2,124,875, all of which was charged to expenses.

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize the general obligation bonds payable are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 1,604,024	\$ 671,145	\$ 2,275,169
2021	1,549,996	812,973	2,362,969
2022	1,665,504	803,996	2,469,500
2023	1,766,519	790,087	2,556,606
2024	1,884,798	776,551	2,661,349
2025-2029	8,373,388	6,730,000	15,103,388
2030-2034	4,355,139	13,888,402	18,243,541
2035-2039	4,348,286	16,166,800	20,515,086
2040-2043	5,918,960	8,176,167	14,095,127
Total	\$ 31,466,614	\$ 48,816,121	\$ 80,282,735

10. LONG-TERM DEBT – ADVANCE REFUNDING

On July 8, 2009, the District refunded 2007 Series certificates of participation (COP) totaling \$1,046,611 with the Series 2009 general obligation bonds. Additionally, the District refunded 2006 Series COP totaling \$1,000,000 with the 2007 Series COP unspent project funds. Resources totaling \$2,149,381 were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$2,827,223 of COP. Outstanding defeased COP at June 30, 2019, were \$344,542.

On May 16, 2017, the District refunded 2007 Series COP totaling \$3,620,931 with the Series 2017 general obligation bonds. Additionally, the District refunded 2007 Series COP totaling \$999,709 with the 2007 Series COP unspent project funds. Resources totaling \$5,680,559 were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$7,589,985 of COP. As a result, the refunded COP are considered to be defeased and the liability has been removed from long-term debt. Outstanding defeased COP at June 30, 2019, were \$2,631,652.

On May 16, 2017, the District refunded the 2009 Series general obligation bonds totaling \$2,715,000 with the Series 2017 general obligation refunding bonds. Resources totaling \$3,001,987 were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$3,079,063 of general obligation bonds. As a result, the refunded general obligation bonds are considered to be defeased and the liability has been removed from long-term debt. Outstanding defeased general obligation bonds at June 30, 2019, were \$2,715,000.

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

11. OPERATING LEASES

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days' written notice to lessor, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments are as follows:

Year Ending June 30	Lease Payments
2020	\$ 361,458
2021	115,302
2022	115,302
2023	115,302
2024	115,302
Thereafter	115,302
Total	\$ 937,968

The District will receive no sublease rental revenues nor pay for any contingent rentals for this equipment. Rent expenditures were \$313,841 for the year ended June 30, 2019.

12. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt:

Year Ended June 30, 2019	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Compensated absences	\$ 152,519	\$ -	\$ 33,572	\$ 118,947	\$ -
General obligation bonds	32,802,114	-	1,335,500	31,466,614	1,604,024
Bond issue premiums	1,426,606	-	176,705	1,249,901	159,025
Capitalized interest	9,445,612	1,435,643	139,500	10,741,755	20,976
Total OPEB liability	1,719,854	290,396	-	2,010,250	-
Net pension liability	32,145,846	32,925	-	32,178,771	-
Total	\$ 77,692,551	\$ 1,758,964	\$ 1,685,277	\$ 77,766,238	\$ 1,784,025

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

13. FUND BALANCES COMPONENTS

Fund balances are composed of the following:

June 30, 2019	General Fund	Bond Interest and Redemption Fund	Other Governmental Funds
Nonspendable			
Reserved for:			
Revolving cash	\$ 11,900	\$ -	\$ 750
Inventories	-	-	31,600
Prepaid expenditures	193,813	-	400
Total Nonspendable	\$ 205,713	\$ -	\$ 32,750
Restricted			
Restricted for:			
Capital projects	\$ -	\$ -	\$ 1,674,174
Debt service	-	3,162,040	-
Federal and state categoricals	2,275,621	-	90,177
Total Restricted	\$ 2,275,621	\$ 3,162,040	\$ 1,764,351
Assigned			
Assigned for:			
Medi-Cal administrative activities	\$ 238,733	\$ -	\$ -
Classroom furniture	125,000	-	-
Textbook adoption	250,000	-	-
Lottery	438,466	-	-
Forest reserve - equipment replacement	575,388	-	-
Technology infrastructure and replacement	105,342	-	-
Deferred maintenance	104,289	-	-
OPEB obligation	526,529	-	-
Capital projects	-	-	2,294
Other designations	72,513	-	-
Insurance proceeds for fire at Canyon site	140,744	-	-
Total Assigned	\$ 2,577,004	\$ -	\$ 2,294
Unassigned			
Designated for economic uncertainties	\$ 4,550,941	\$ -	\$ -

14. JOINT POWERS AUTHORITIES

The District participates in joint ventures under joint powers agreements with the following joint powers authorities (JPAs): California’s Valued Trust (CVT), Northern California Schools Insurance Group (NCSIG), Schools Excess Liability Fund (SELF), Shasta-Trinity Schools Insurance Group (STSIG), and Northern California Regional Excess Liability Fund (ReLiEF). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and provide property, liability, workers’ compensation, health care, and excess liability coverage for their members. Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The District’s share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA.

15. COMMITMENTS AND CONTINGENCIES

Federal and State Allowances, Awards, and Grants

The District received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements will not be material.

Construction Project Commitments

Construction project commitments are as follows:

June 30, 2019	Remaining Construction Commitment
Bus charging stations	\$ 5,900

Gateway Unified School District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

16. RISK MANAGEMENT

The District is exposed to various risks, including loss or damage to property, general liability, and injuries to employees. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. No significant reductions in insurance coverage from the prior year have been made. As described above, the District participates in risk pools under joint powers agreements for property, liability, workers' compensation, health care, and excess liability coverage.

17. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans maintained by agencies of the state of California. Certificated employees are members of CalSTRS, and classified employees are members of CalPERS.

Summary

Net pension liability, deferred outflows or resources, deferred inflows of resources, and pension expense are reported as follows:

June 30, 2019	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS State Teachers' Retirement Plan	\$ 19,300,470	\$ 4,851,803	\$ 2,273,333	\$ 2,264,161
CalPERS School Employer Pool	12,878,301	3,707,254	215,885	2,583,749
Total	\$ 32,178,771	\$ 8,559,057	\$ 2,489,218	\$ 4,847,910

Net pension liability, deferred outflows of resources, and deferred inflows of resources are reported in the accompanying statement of net position; pension expense is reported in the accompanying statement of activities.

California State Teachers' Retirement System

Plan Description Certificated employees of the District participate in STRP, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions are established by state statute, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues publicly available financial reports that can be obtained at www.calstrs.com.

Gateway Unified School District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Benefits Provided STRP provides retirement, disability, and survivor benefits to beneficiaries. The defined benefit program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. The program has two benefit formulas:

- **CalSTRS 2% at 60** CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to a maximum of 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, up to the 2.4% maximum.
- **CalSTRS 2% at 62** CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

Contributions Required member, employer, and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Active plan members of the CalSTRS 2% at 60 formula are required to contribute 10.25% of their salary. Active plan members of the CalSTRS 2% at 62 formula are required to contribute 10.205% of their salary. The required employer contribution rate for fiscal year 2018-19 was 16.28% of annual payroll. The District's contributions to CalSTRS for the fiscal year ended June 30, 2019, were \$1,793,753.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2019, the District reported a net pension liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District, were as follows:

June 30, 2019

District's proportionate share of the net pension liability	\$ 19,300,470
State's proportionate share of the net pension liability associated with the District	11,050,476
Total	\$ 30,350,946

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The District's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. At June 30, 2019, the District's proportion was 0.021%.

State Teachers' Retirement Law also requires the state to contribute 9.828% of the members' creditable earnings from the fiscal year ending in the prior calendar year. *California Education Code*, Section 22950.6 appropriates an additional \$2,246,000,000 from the state's General Fund for the 2018-19 fiscal year to be transferred to the Teachers' Retirement Fund. For the year ended June 30, 2019, the District recognized pension expense of \$376,818 and revenue of \$376,818 for support provided by the state. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 59,850	\$ 280,085
Net difference between projected and actual earnings on pension plan investments	-	743,122
Change in assumptions	2,998,200	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,250,126
District contributions subsequent to the measurement date	1,793,753	-
Total	\$ 4,851,803	\$ 2,273,333

The \$1,793,753 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2020	\$ 450,965
2021	172,557
2022	(333,897)
2023	164,998
2024	470,852
Thereafter	(140,758)
Total	\$ 784,717

Gateway Unified School District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Actuarial Assumptions The total pension liability in the June 30, 2017, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.10%
Interest on accounts	3.00%
Wage growth	3.50%
Consumer price inflation	2.75%
Post-retirement benefit increases	2.00% simple

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2010, through June 30, 2015.

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant (Pension Consulting Alliance-PCA) as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Private equity	13%	9.30%
Real estate	13%	5.20%
Inflation sensitive	4%	3.80%
Fixed income	12%	0.30%
Risk mitigating strategies	9%	2.90%
Cash/liquidity	2%	-1.00%
Total	100%	

Discount Rate The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers were made at statutory contribution rates in accordance with the rate increases pursuant to Chapter 47, Statutes of 2014 (AB 1469). Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assumes that contributions, benefit payments, and administrative expenses occurred midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
June 30, 2019			
District's proportionate share of the net pension liability	\$ 28,272,930	\$ 19,300,470	\$ 11,861,430

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Pension Plan Fiduciary Net Position Detailed information about the pension plan's fiduciary net position is available in CalSTRS' separately issued *Comprehensive Annual Financial Report (CAFR)*.

California Public Employees' Retirement System

Plan Description Classified employees of the District participate in the School Employer Pool (the Plan) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a publicly available financial report that can be obtained at www.calpers.ca.gov.

Benefits Provided The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The benefits are based on members' years of service, age, final compensation, and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions Member contribution rates are defined by law. Employer contribution rates are determined by periodic actuarial valuations. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. Active plan members that met the definition of a new member under the Public Employees' Pension Reform Act are required to contribute 7.00% of their salary. Classic employees are required to contribute 7.00% of their salary. The required employer contribution rate for the 2018-19 fiscal year was 18.062%. The District's contributions to CalPERS for the fiscal year ended June 30, 2019, were \$1,163,324.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2019, the District reported a net pension liability of \$12,878,301 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2019, the District's proportion was 0.04830%.

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

For the year ended June 30, 2019, the District recognized pension expense of \$2,583,749. *California Government Code*, Section 20825.2 appropriates \$904,000,000 from the state’s General Fund for fiscal year 2018–19 to be transferred to the Public Employees’ Retirement Fund, for payments relating to school employers’ contributions and unfunded liabilities. No amounts are recognized at the government-wide level for the year ended June 30, 2019, as the government-wide financial statements are reported based on the June 30, 2018 measurement date. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 844,254	\$ -
Net difference between projected and actual earnings on pension plan investments	105,631	-
Change in assumptions	1,285,842	-
Changes in proportion and differences between District contributions and proportionate share of contributions	308,203	215,885
District contributions subsequent to the measurement date	1,163,324	-
Total	\$ 3,707,254	\$ 215,885

The \$1,163,324 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2020	\$ 1,407,193
2021	1,081,454
2022	(84,590)
2023	(76,012)
Total	\$ 2,328,045

Gateway Unified School District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Actuarial Assumptions The total pension liability in the June 30, 2017, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%

Post-retirement mortality rates are based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Gateway Unified School District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

The tables below reflect long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class	Assumed Asset Allocation	Real Rate of Return	
		Years 1 - 10	Years 11+
Global equity	50%	4.80%	5.98%
Fixed income	28%	1.00%	2.62%
Inflation assets	0%	0.77%	1.81%
Private equity	8%	6.30%	7.23%
Real estate	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	100%		

Discount Rate The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as the District’s proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

June 30, 2019	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 18,750,190	\$ 12,878,301	\$ 8,006,728

Pension Plan Fiduciary Net Position Detailed information about the pension plan’s fiduciary net position is available in CalPERS’ separately issued CAFR.

18. EARLY RETIREMENT INCENTIVE PROGRAM

The District did not enter into any early retirement incentive agreements during 2018-19, pursuant to *California Education Code*, Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description and Benefits Provided

The District provides postemployment health care benefits to qualifying employees through a single-employer defined benefit health care plan administered by the District. The District provides postemployment health care benefits to all certificated and classified employees who retire from the District with at least ten years of service. The retiree may allocate the District's contribution to any or all of the District group insurance coverage. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Employees Covered

Employees covered by the benefit terms of the plan consisted of:

June 30, 2019

Inactive plan members or beneficiaries currently receiving benefit payments	34
Active plan members	325
Total	359

Contributions

The District's agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements of plan members and the District are established and may be amended by the District's Board of Trustees through the collective bargaining process. The members receiving benefits vary depending on the level of coverage selected. Currently, the District's policy is to contribute to the plan on a pay-as-you-go basis. The retiree may elect to continue the District's group insurance programs for a period not to exceed ten years of coverage. At the time of retirement, the retiree elects to allocate over a specific period of time the amount of the District's contribution to which they are entitled. The District's premium contribution is limited to a total of \$35,000 for full-time employees. The District's contribution for part-time employees is prorated. The District's contribution towards coverage is made on the following schedule:

10 years of service	50%
15 years of service	75%
20 or more years of service	100%

For the fiscal year ended June 30, 2019, the District contributed \$305,303 representing premium payments on behalf of retired employees.

Gateway Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2019, using an annual actuarial valuation as of July 1, 2018, rolled forward to June 30, 2019, using standard update procedures. The June 30, 2019, total OPEB liability was based on the actuarial methods and assumptions as shown below.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2018
Measurement date	June 30, 2019
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation	3.00%
Salary increases	3.00%
Discount rate	3.13%
Healthcare cost trend rate - pre-65	6.00% ⁽¹⁾

(1) For fiscal year 2018, decreasing 0.10% each year to an ultimate rate of 5.00%.

Mortality is based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13%. The discount rate is based on the Municipal Bond 20-Year High Grade Rate Index.

Gateway Unified School District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the plan are as follows:

Year Ended June 30, 2019

Total OPEB Liability		
Service cost	\$	103,899
Interest		70,427
Difference between expected and actual experience		295,695
Changes of assumptions		125,678
Benefit payments - including refunds of employee contributions		(305,303)
Net Change in Total OPEB Liability		290,396
Total OPEB Liability - Beginning of Year		1,719,854
Total OPEB Liability - End of Year	\$	2,010,250
Covered-employee payroll	\$	18,393,571
District's total OPEB liability as a percentage of covered-employee payroll		10.93%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the District's total OPEB liability calculated using the discount rate of 3.13%, as well as the District's total OPEB liability if it was calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current rate:

June 30, 2019	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB liability	\$ 2,103,838	\$ 2,010,250	\$ 1,920,666

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's total OPEB liability calculated using the healthcare cost trend rate of 6.00%, as well as the District's total OPEB liability if it was calculated using a healthcare trend rate that is one percentage point lower (5.00%) or one percentage point higher (7.00%) than the current rate:

June 30, 2019	1% Decrease (5.00%)	Health Cost Trend Rates (6.00%)	1% Increase (7.00%)
Total OPEB liability	\$ 1,965,555	\$ 2,010,250	\$ 2,057,635

Gateway Unified School District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$229,770. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 256,788	\$ -
Change in assumptions	109,141	-
Total	\$ 365,929	\$ -

Amounts reported as deferred inflows and deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	
2020	\$ 55,444
2021	55,444
2022	55,444
2023	55,444
2024	55,444
Thereafter	88,709
Total	\$ 365,929

20. EXTRAORDINARY ITEM

During 2018-19, the Canyon School site was damaged by fire. The District received insurance proceeds of \$141,744 related to the impacted building. The District does not expect to restore the building. No impairment has been recognized as the carrying value of the asset of \$1,918 is lower than the fair value.

21. FUTURE GASB IMPLEMENTATION

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. It establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2019, will have on the District's financial statements, if any.

In June 2017, GASB issued Statement No. 87, *Leases*. This statement improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2020, will have on the District's financial statements, if any.

Required Supplementary Information

Gateway Unified School District
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year Ended June 30, 2019	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 11,080,455	\$ 13,071,550	\$ 13,321,509	\$ 249,959
Local control funding formula sources	11,938,180	10,080,534	9,833,795	(246,739)
Other state revenue	3,407,223	4,875,731	4,995,983	120,252
Federal revenue	2,433,643	2,727,747	2,567,097	(160,650)
Other local revenue	3,541,272	4,250,329	4,439,729	189,400
Total Revenues	32,400,773	35,005,891	35,158,113	152,222
Expenditures				
Certificated salaries	11,411,774	11,822,351	11,810,184	12,167
Classified salaries	6,375,466	6,396,939	6,279,310	117,629
Employee benefits	7,785,593	8,811,532	8,801,833	9,699
Books and supplies	1,850,675	1,612,144	1,246,264	365,880
Services and other operating	5,128,643	5,456,396	4,604,001	852,395
Capital outlay	1,193,888	1,477,248	1,412,218	65,030
Other outgo	(2,759)	(6,563)	(7,174)	611
Total Expenditures	33,743,280	35,570,047	34,146,636	1,423,411
Excess (Deficiency) of Revenues Over Expenditures	(1,342,507)	(564,156)	1,011,477	1,575,633
Other Financing Sources (Uses)				
Transfers out	(131,775)	(115,050)	(115,000)	50
Extraordinary Item	-	141,744	141,744	-
Net Change in Fund Balances	(1,474,282)	(537,462)	1,038,221	1,575,683
Fund Balances - Beginning of Year	8,571,058	8,571,058	8,571,058	-
Fund Balances - End of Year	\$ 7,096,776	\$ 8,033,596	\$ 9,609,279	\$ 1,575,683

See the accompanying notes to this budgetary comparison schedule.

Gateway Unified School District

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's Governing Board annually adopts a budget for the General Fund of the District. The budget is presented on the modified accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedule of the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budget as amended. Unexpended appropriations on the annual budget lapse at the end of each fiscal year.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no excesses of budgetary expenditures for the year ended June 30, 2019.

Gateway Unified School District

SCHEDULE OF CHANGES IN DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Years Ended June 30	2019	2018
Total OPEB Liability		
Service cost	\$ 103,899	\$ 92,019
Interest	70,427	61,842
Difference between expected and actual experience	295,695	-
Changes of assumptions	125,678	-
Benefit payments - including refunds of employee contributions	(305,303)	(282,168)
Net Change In Total OPEB Liability	290,396	(128,307)
Total OPEB Liability - Beginning of Year	1,719,854	1,848,161
Total OPEB Liability - End of Year	2,010,250	1,719,854
Covered-employee payroll	\$ 18,393,571	\$ 18,315,799
District's total OPEB liability as a percentage of covered-employee payroll	10.93%	9.39%

See the accompanying notes to the required supplementary information.

Gateway Unified School District

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Years Ended June 30	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.021%	0.022%	0.022%	0.023%	0.023%
District's proportionate share of the net pension liability (asset)	\$ 19,300,470	\$ 20,345,600	\$ 17,793,820	\$ 15,484,520	\$ 13,440,510
State's proportionate share of the net pension liability (asset) associated with the District	11,050,476	12,036,383	10,131,196	8,189,582	8,116,042
Total	\$ 30,350,946	\$ 32,381,983	\$ 27,925,016	\$ 23,674,102	\$ 21,556,552
District's covered-employee payroll	\$ 11,604,782	\$ 11,670,183	\$ 10,963,886	\$ 10,551,351	\$ 10,418,339
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	166.31%	174.34%	162.29%	146.75%	129.01%
Plan fiduciary net position as a percentage of the total pension liability	71.00%	69.00%	70.00%	74.00%	77.00%

See the accompanying notes to the required supplementary information.

Gateway Unified School District**SCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**

Years Ended June 30	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,793,753	\$ 1,674,570	\$ 1,468,109	\$ 1,176,425	\$ 936,960
Contributions in relation to the contractually required contribution	(1,793,753)	(1,674,570)	(1,468,109)	(1,176,425)	(936,960)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 11,604,782	\$ 11,670,183	\$ 10,963,886	\$ 10,551,351	\$ 10,418,339
Contributions as a percentage of covered-employee payroll	15.46%	14.35%	13.39%	11.15%	8.99%

See the accompanying notes to the required supplementary information.

Gateway Unified School District**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

Years Ended June 30	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.04830%	0.04943%	0.04640%	0.04670%	0.04640%
District's proportionate share of the net pension liability (asset)	\$ 12,878,301	\$ 11,800,246	\$ 9,164,029	\$ 6,885,088	\$ 5,195,807
District's covered-employee payroll	\$ 6,365,392	\$ 6,295,240	\$ 5,572,415	\$ 5,168,898	\$ 4,878,133
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	202.32%	187.45%	164.45%	133.20%	106.51%
Plan fiduciary net position as a percentage of the total pension liability	70.80%	71.90%	73.90%	79.40%	83.50%

See the accompanying notes to the required supplementary information.

Gateway Unified School District**SCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA PUBLIC EMPLOYEES'
RETIREMENT SYSTEM**

Years Ended June 30	2019		2018		2017		2016		2015	
Contractually required contribution	\$	1,163,324	\$	988,609	\$	874,283	\$	660,164	\$	608,431
Contributions in relation to the contractually required contribution		(1,163,324)		(988,609)		(874,283)		(660,164)		(608,431)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	6,365,392	\$	6,295,240	\$	5,572,415	\$	5,168,898	\$	4,878,133
Contributions as a percentage of covered-employee payroll		18.28%		15.70%		15.69%		12.77%		12.47%

See the accompanying notes to the required supplementary information.

Gateway Unified School District

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

1. SCHEDULE OF CHANGES IN DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Changes in Benefit Terms

There were no significant changes in benefit terms during the measurement period ended June 30, 2019.

Changes in Assumptions

The discount rate was decreased from 3.62% to 3.13% due to changes in the Municipal Bond 20-Year High Grade Rate Index during the measurement period ended June 30, 2019.

Assets to Pay Related Benefits

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of Statement 75 as of June 30, 2019.

2. CHANGES OF BENEFIT TERMS

California State Teachers' Retirement System

There were no significant changes of benefit terms during the measurement period ended June 30, 2018.

California Public Employees' Retirement System

There were no significant changes of benefit terms during the measurement period ended June 30, 2018.

3. CHANGES OF ASSUMPTIONS

California State Teachers' Retirement System

There were no significant changes of assumptions during the measurement period ended June 30, 2018.

California Public Employees' Retirement System

In December 2017, the CalPERS Board adopted new mortality assumptions. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected on-going mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%. The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%.

OTHER SUPPLEMENTARY INFORMATION SECTION

Gateway Unified School District

LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE

June 30, 2019

The Gateway Unified School District (the District) is located in Shasta County and was established on July 1, 1992. There were no changes in the boundaries of the District during the current year. The District is currently operating three elementary schools, one high school, one continuation school, one community day school, and one long-term independent study program. The District is the sponsoring local educational agency for one charter school.

GOVERNING BOARD

Name	Office	Term Expires
Phil Lewis	President	2020
Fred Braun	Vice President	2022
Dale Wallace	Clerk	2022
Debbie Bourne	Member	2022
Diane Corbell	Member	2020

ADMINISTRATION

James M. Harrell
Superintendent

Steve Henson
Director of Business Services

Gateway Unified School District

SCHEDULE OF CHARTER SCHOOLS

Year Ended June 30, 2019

Charter schools sponsored by the District that are excluded from the audit of the District:

	Charter Number
Rocky Point Charter School	#0849

See the accompanying note to the other supplementary information.

Gateway Unified School District
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 June 30, 2019

	Originally Reported		Final	
	Second Period Report	Annual Report	Second Period Report	Annual Report
ELEMENTARY				
Regular ADA*				
Transitional kindergarten/ kindergarten through grade 3	693	695	693	695
Grades 4 through 6	480	477	480	477
Grades 7 through 8	330	331	330	331
Extended-Year Special Education				
Transitional kindergarten/ kindergarten through grade 3	-	4	-	4
Grades 4 through 6	-	2	-	2
Grades 7 through 8	-	1	-	1
Special Education - Nonpublic, Nonsectarian Schools				
Transitional kindergarten/ kindergarten through grade 3	1	1	1	1
Grades 4 through 6	2	2	2	2
Grades 7 through 8	-	1	-	1
Community Day School				
Grades 7 through 8	5	5	5	5
ELEMENTARY TOTALS	1,511	1,519	1,511	1,519
HIGH SCHOOL				
Regular ADA**				
Grades 9 through 12	595	588	595	588
Extended-Year Special Education				
Grades 9 through 12	1	1	1	1
Special Education - Nonpublic, Nonsectarian Schools				
Grades 9 through 12	1	1	1	1
Community Day School				
Grades 9 through 12	9	8	9	8
HIGH SCHOOL TOTALS	606	598	606	598
ADA Totals	2,117	2,117	2,117	2,117

*Includes opportunity classes, home and hospital, and special day classes.

**Includes opportunity classes, home and hospital, special day classes, and continuation education.

See the accompanying note to the other supplementary information.

Gateway Unified School District

SCHEDULE OF INSTRUCTIONAL TIME

Year Ended June 30, 2019

	Minutes Requirement	2018-19 Actual Minutes	Traditional Calendar Days	Multitrack Calendar Days	Status
Kindergarten	36,000	58,980	180	N/A	Complied
Grade 1	50,400	53,580	180	N/A	Complied
Grade 2	50,400	55,380	180	N/A	Complied
Grade 3	50,400	55,380	180	N/A	Complied
Grade 4	54,000	58,080	180	N/A	Complied
Grade 5	54,000	58,080	180	N/A	Complied
Grade 6	54,000	59,483	180	N/A	Complied
Grade 7	54,000	59,483	180	N/A	Complied
Grade 8	54,000	59,483	180	N/A	Complied
Grade 9	64,800	66,360	180	N/A	Complied
Grade 10	64,800	66,360	180	N/A	Complied
Grade 11	64,800	66,360	180	N/A	Complied
Grade 12	64,800	66,360	180	N/A	Complied

See the accompanying note to the other supplementary information.

Gateway Unified School District
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

Years Ended June 30	(Budget) 2020	2019	2018	2017
General Fund				
Revenues and other financial sources	\$ 34,064,050	\$ 35,299,857	\$ 31,215,508	\$ 30,510,902
Expenditures	34,318,740	34,146,636	32,603,626	31,829,412
Other uses and transfers out	517,296	115,000	77,694	55,497
Total Outgo	34,836,036	34,261,636	32,681,320	31,884,909
Change in Fund Balance	(771,986)	1,038,221	(1,465,812)	(1,374,007)
Ending Fund Balance	\$ 8,837,293	\$ 9,609,279	\$ 8,571,058	\$ 10,036,870
Available reserves	\$ 3,949,849	\$ 4,550,941	\$ 4,701,799	\$ 3,955,931
Designated for economic uncertainties	\$ 3,949,849	\$ 4,550,941	\$ 4,701,799	\$ 3,955,931
Undesignated fund balance	\$ -	\$ -	\$ -	\$ -
Available reserves as a percentage of total outgo	11%	13%	14%	12%
Total long-term debt	\$ 77,502,595	\$ 77,766,238	\$ 77,692,551	\$ 72,873,308
Average daily attendance at P-2	2,092	2,117	2,141	2,143

The General Fund balance has decreased by \$427,591 over the past two years. The fiscal year 2019-20 budget projects a decrease of \$771,986 (-8.0%). For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in two of the past three years and anticipates incurring an operating deficit during the 2019-20 fiscal year. Total long-term debt has increased by \$4,892,930 over the past two years.

Average daily attendance has decreased by 26 over the past two years. The District anticipates average daily attendance to decline by 25 during fiscal year 2019-20.

See the accompanying note to the other supplementary information.

Gateway Unified School District

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2019

The fund balances for all funds, as reported in the annual financial and budget report, equal the corresponding balances in the audited financial statements.

See the accompanying note to the other supplementary information.

Gateway Unified School District
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL PROGRAMS			
U.S. Department of Education			
Passed Through California Department of Education			
Special Education Cluster			
Special Education - IDEA Basic Local Assistance	84.027	13379	\$ 641,274
Special Education - IDEA Preschool	84.173	13430	144,193
Total Special Education Cluster			785,467
Vocational Programs - Vocational and Applied Technical Secondary IC, Section 131	84.048	14894	33,361
ESEA - Title I, Part A, Basic Grants	84.010	14329	1,216,411
ESEA - Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	170,368
Direct Programs			
Indian Education - Grants to Local Educational Agencies	84.060		44,118
Total U.S. Department of Education			2,249,725
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
School Breakfast	10.553	13390	252,492
National School Lunch	10.555	13391	746,235
Nonmonetary Assistance			
Food Donation	10.555		76,042
Total Child Nutrition Cluster			1,074,769
Passed Through Shasta County Office of Education			
Schools and Roads - Grants to Counties	10.666	10044	97,058
Total U.S. Department of Agriculture			1,171,827
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,421,552

See the accompanying note to the other supplementary information.

Gateway Unified School District

NOTE TO THE OTHER SUPPLEMENTARY INFORMATION

PURPOSE OF SCHEDULES

Schedule of Charter Schools

This schedule lists all charter schools sponsored by the District and indicates whether or not the charter school is included in the audit of the District.

Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District met or exceeded its local control funding formula target. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *California Education Code*, Sections 46201 through 46208.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current-year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of each fund, as reported in the annual financial and budget report, to the audited financial statements.

Schedule of Expenditures of Federal Awards

This schedule includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

Expenditures reported on this schedule are reported on the modified basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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 of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gateway Unified School District (the District) as of and for the year ended June 30, 2019; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated December 11, 2019.

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 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 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 have not been 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 as item 2019-001, that we consider to be significant deficiencies.

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

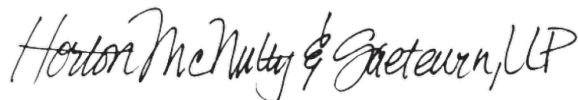
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

The 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

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.



December 11, 2019
Chico, California

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Gateway Unified School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 of America; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance 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 of the District's compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

(Continued)

Opinion on 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, 2019.

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 as a basis for designing 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 the Uniform Guidance, 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.

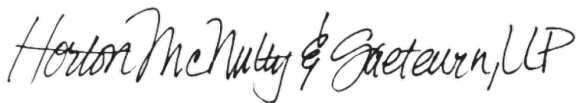
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

(Continued)

Purpose of This Report

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



December 11, 2019
Chico, California

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Compliance

We have audited the Gateway Unified School District's (the District) compliance with the types of state compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, for the year ended June 30, 2019. The applicable state compliance requirements are identified in the table below.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the District's management.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance with the state laws and regulations based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below 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 considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

June 30, 2019	Procedures Performed
Attendance	Yes
Teacher certification and misassignments	Yes
Kindergarten continuance	Yes
Independent study	Yes
Continuation education	No
Instructional time	Yes
Instructional materials	Yes
Ratios of administrative employees to teachers	Yes
Classroom teacher salaries	Yes
Early retirement incentive	No
Gann limit calculation	Yes
School accountability report card	Yes
Juvenile court schools	Not applicable
Middle or early college high schools	Not applicable
K-3 grade span adjustment	Yes
Transportation maintenance of effort	Yes
Apprenticeship: Related and supplemental instruction	No
Comprehensive school safety plan	Yes
District of choice	No
California Clean Energy Job Act	Yes
After/Before school education and safety program:	
After school	Yes
Before school	No
General requirements	Yes
Proper expenditure of education protection account funds	Yes
Unduplicated local control funding formula pupil counts	Yes
Local control and accountability plan	Yes
Independent study-course based	No
Charter schools:	
Attendance	No
Mode of instruction	No
Nonclassroom-based instruction/independent study	No
Determination of funding for nonclassroom-based instruction	No
Annual instructional minutes - classroom based	No
Charter school facility grant program	No

Continuation education step 6c was not performed because students do not engage in independent study. District of choice steps 2 and 3 were not performed because the board of the District did not elect to operate as a school district of choice.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

Since the District did not participate in the following programs during 2018-19, all steps related to them were not performed:

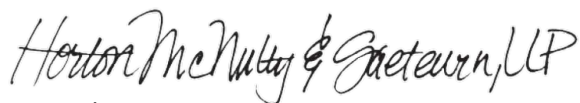
- Early retirement incentive
- Apprenticeship: Related and supplemental instruction
- After/Before school education and safety program - before school
- Independent study-course based

Since the charter schools sponsored by the District are excluded from the audit of the District, all steps related to the following were not performed:

- Attendance
- Mode of instruction
- Nonclassroom-based instruction/independent study
- Determination of funding for nonclassroom-based instruction
- Annual instructional minutes – classroom based
- Charter school facility grant program

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the state compliance requirements referred to above that are applicable to the District for the year ended June 30, 2019.



December 11, 2019
Chico, California

FINDINGS AND QUESTIONED COSTS SECTION

Gateway Unified School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019

SECTION I
SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	Yes
Is any noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
CFDA Nos. 10.553 and 10.555 Child Nutrition Cluster	
CFDA Nos. 84.027 and 84.173 Special Education Cluster (IDEA)	
Threshold for distinguishing types A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Compliance over state programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for state programs:	Unmodified

SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT

INTERNAL CONTROL (Student Body – Central Valley High School)
30000 (2019-001)

Significant Deficiency

Condition During our testing of student body accounts at Central Valley High School, we noted the following:

1. For six of 15 deposits tested, the cash receipts did not document the date received; therefore, timeliness of the deposit could not be determined.
2. For five of 15 deposits tested, there was no tally sheet or other reconciliation of expected sales to substantiate the amount of cash collected at an event.
3. For two of 15 deposits tested, the cash receipt did not document the purpose of the receipt; therefore, we could not determine if the deposit was credited to the intended student group.
4. For two of 15 deposits tested, a cash count sheet was not prepared.
5. For two of 15 deposits tested, the cash count sheet was completed multiple days after the event.
6. For one of 15 disbursements tested, a purchase was made with student body funds prior to authorization by all required parties.

Criteria Internal control procedures should be implemented to ensure that:

1. All cash received has proof of receipt date (i.e. by issuing pre-numbered receipts), to ensure timely deposits are made intact.
2. Tally sheets or other reconciliations are used for all student body fundraising sources that involve sales. These reconciliations should contain the quantity of items sold and their dollar value in sales.
3. All cash received has documented proof of which student body group it is intended to be credited.
4. Cash count sheets are prepared and verified by two individuals prior to leaving the event where cash is collected.
5. Purchases made with student body funds are only made after they have been approved by the advisor, student council representative, and District official. Approval dates of each party should be documented.

Effect Without strengthening internal controls over cash receipts and cash disbursements, student body assets may not be properly safeguarded, may be susceptible to misappropriation, and may be expended on activities that are not valid.

Gateway Unified School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2019

(Continued)

Cause Due to staff transition, certain policies and procedures were lost in training.

Recommendation Procedures should be implemented to strengthen internal controls over student body assets and accounting records.

Response The District's administration will implement procedures during 2019-20 to comply with the recommendation.

Gateway Unified School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019
(Continued)

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

None.

SECTION IV FINDINGS
STATE AWARDS AUDIT

None.

Gateway Unified School District

CORRECTIVE ACTION PLAN

June 30, 2019

Not applicable: there are no current-year findings related to federal awards.

Gateway Unified School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2019

None.