

Gateway Unified School District

County of Shasta
Redding, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2020



Gateway Unified School District

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the 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, 2020; 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, 2020; 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 75 to 82, 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

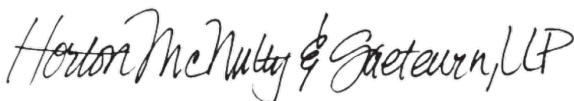
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Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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 77 to 82 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 February 4, 2021, 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.



February 4, 2021
Chico, California

FINANCIAL SECTION

Required Supplementary Information

Gateway Unified School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

An overview of the Gateway Unified School District's (the District) financial activities for the fiscal year ended June 30, 2020, 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 \$37,301,132. Revenues exceeded expenses by \$394,450.

Total net position in governmental activities was negative \$13,022,094, an increase of 2.9% from the previous year. The General Fund reported a total fund balance of \$12,456,721.

Enrollment in the District decreased by 1.35%, while average daily attendance (ADA) decreased by 1.9%.

The District increased its long-term debt from \$77,766,238 in 2018-19 to \$78,748,254 in 2019-20. This represents a 1.3% increase in long-term debt overall.

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, 2020, was a negative \$13,022,094. Of this amount, a negative \$20,729,577 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 2019-20
	2019	2020	
ASSETS			
Cash and investments	\$ 13,485,277	\$ 16,729,007	24.1%
Receivables	3,666,815	4,886,659	33.3%
Other assets	225,813	46,032	-79.6%
Capital assets - net	42,472,780	41,375,862	-2.6%
TOTAL ASSETS	59,850,685	63,037,560	5.3%
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources for pensions	8,559,057	7,228,315	-15.5%
Deferred outflows of resources for OPEB	365,929	365,217	-0.2%
Deferred loss on advance refunding	1,153,794	2,320,659	101.1%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,078,780	9,914,191	-1.6%
LIABILITIES			
Accounts payable and other liabilities	2,652,684	2,871,953	8.3%
Advances from grantors	437,869	1,256,606	187.0%
Long-term debt	77,766,238	78,748,254	1.3%
TOTAL LIABILITIES	80,856,791	82,876,813	2.5%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pensions	2,489,218	3,097,032	24.4%
NET POSITION			
Net investment in capital assets	872,736	(277,076)	-131.7%
Restricted	7,202,412	7,984,559	10.9%
Unrestricted	(21,491,692)	(20,729,577)	3.5%
TOTAL NET POSITION	\$ (13,416,544)	\$ (13,022,094)	2.9%

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 decreased 2.1% from the previous year to \$37,301,132. Property taxes and state aid funding accounted for most of the District's revenue, representing 74.4 cents of each dollar raised. Another 16.4% came from federal and state aid for specific programs, and the remaining 9.2% came from fees charged for services and miscellaneous sources.

The total cost of all programs and services decreased 3.8% to \$36,906,682. Revenues exceeded the District's expenses for the year by \$394,450. The District's expenses are primarily related to educating and caring for students (77.3%). Administrative activities of the District account for 6.4% of the total costs.

Years Ended June 30	Governmental Activities		Percentage
	2019	2020	Change 2019-20
REVENUES			
Program Revenues			
Charges for services	\$ 2,074,448	\$ 2,708,612	30.6%
Operating grants and contributions	6,950,109	6,109,396	-12.1%
General Revenues and Extraordinary Item			
State formula aid	10,945,304	11,243,457	2.7%
Property taxes	16,478,913	16,503,200	0.1%
Other	1,668,652	736,467	-55.9%
TOTAL REVENUES	38,117,426	37,301,132	-2.1%
EXPENSES			
Instruction	21,901,836	21,322,585	-2.6%
Instructional-related services	3,263,837	3,167,114	-3.0%
Pupil services	4,451,961	4,042,743	-9.2%
General administration	2,781,873	2,367,929	-14.9%
Plant services	3,375,491	3,026,069	-10.4%
Ancillary services	500,318	420,848	-15.9%
Community services	20,291	9,482	-53.3%
Other outgo	63,741	223,973	251.4%
Interest on long-term debt	2,010,706	2,325,939	15.7%
TOTAL EXPENSES	38,370,054	36,906,682	-3.8%
Change in Net Position	\$ (252,628)	\$ 394,450	256.1%

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 \$17,795,394, an increase of \$3,224,680 from the previous year. Following is a summary of the District's fund balances.

June 30	Fund Balance		Increase (Decrease)
	2019	2020	
General	\$ 9,609,279	\$ 12,456,721	\$ 2,847,442
Cafeteria Special Revenue	122,527	98,179	(24,348)
Building	704,432	719,815	15,383
Capital Facilities	970,142	1,699,694	729,552
Special Reserve Capital Projects	2,294	2,354	60
Bond Interest and Redemption	3,162,040	2,818,631	(343,409)
Totals	\$ 14,570,714	\$ 17,795,394	\$ 3,224,680

The increase in the General Fund is due primarily to reductions in expenditures due to schools closing in March due to COVID-19 and the availability of CARES Act Relief Funds to support additional costs during that period.

The decrease in the Cafeteria Special Revenue Fund is due to less meals being served during distance learning which resulted in less revenue for reimbursement for meals.

The increase in the Building Fund is due to interest earned.

The increase in the Capital Facilities Fund is due to developer fee collections exceeding of expenditures.

The decrease in the Bond Interest and Redemption Fund is due to normally scheduled general obligation bond payments exceeding property tax collections.

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 revenues and other financing sources to exceed expenditures and other financing uses by \$864,487. However, actual results for the year reflected a surplus of \$2,847,442. 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.

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

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

The District has invested \$41,375,862 in capital assets including land, site improvements, buildings, and equipment. During the year, the District completed the greenhouse remodel and bus charging stations. The District also purchased four electric busses and a scoreboard.

June 30	Governmental Activities		Percentage Change 2019-20
	2019	2020	
Land	\$ 341,760	\$ 341,760	0.0%
Construction in progress	99,890	-	-100.0%
Buildings and improvements	72,540,286	72,604,576	0.1%
Equipment	4,732,877	5,553,960	17.3%
Accumulated depreciation	(35,242,033)	(37,124,434)	5.3%
Totals	\$ 42,472,780	\$ 41,375,862	-2.6%

Long-Term Debt

At year end, the District had \$78,748,254 in outstanding long-term debt. The change in long-term debt is due principally to the refunding of general obligation bonds. Additionally, the District made normally scheduled payments on its general obligation bonds. The District has no plans to incur additional long-term debt in 2020-21.

June 30	Governmental Activities		Percentage Change 2019-20
	2019	2020	
General obligation bonds	\$ 31,466,614	\$ 32,792,511	4.2%
Bond issue premiums	1,249,901	1,163,332	-6.9%
Bond capitalized interest	10,741,755	10,737,569	0.0%
Compensated absences	118,947	126,726	6.5%
Total OPEB liability	2,010,250	1,704,036	-15.2%
Net pension liability	32,178,771	32,224,080	0.1%
Totals	\$ 77,766,238	\$ 78,748,254	1.3%

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, potential rate changes and increases in the percentage of employer contributions to State Teachers' Retirement System: 17.10% in 2019-20, 16.15% in 2020-21, 16.00% in 2021-22, and 18.10% in 2022-23; along with projected increases in the percent of employer contributions to the Public Employees' Retirement System: 19.72% in 2019-20, 20.70% in 2020-21, 23.00% in 2021-22, and 26.30% in 2022-23. In addition, the District has experienced declining enrollment, which will result in a decrease in Local Control Funding Formula (LCFF).

Estimates of future year increases to LCFF are limited to COLA alone, and is 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, 2020, with the California School Employees Association bargaining group and through June 30, 2020, with the Gateway Teachers' Association bargaining group. The contracts allow for renegotiation of compensation issues each year. 2020-21 negotiations are not settled for any of the employee groups at this time.

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

	Governmental Activities
June 30, 2020	
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ASSETS	
Cash and investments	\$ 16,729,007
Accounts receivable	1,084,238
Due from other governments	3,802,421
Inventories	45,032
Prepaid expenses	1,000
Nondepreciated capital assets	341,760
Depreciated capital assets	78,158,536
Accumulated depreciation	(37,124,434)
TOTAL ASSETS	63,037,560
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DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for pensions	7,228,315
Deferred outflows of resources for OPEB	365,217
Deferred loss on advance refunding	2,320,659
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,914,191
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LIABILITIES	
Accounts payable and other current liabilities	1,120,460
Due to other governments	1,751,493
Advances from grantors	1,256,606
Long-term obligations:	
Due within one year	1,970,711
Due beyond one year	76,777,543
TOTAL LIABILITIES	82,876,813
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DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for pensions	3,097,032
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NET POSITION	
Net investment in capital assets	(277,076)
Restricted for capital projects	2,419,509
Restricted for debt service	2,818,631
Restricted for educational programs	2,693,272
Restricted for other purposes	53,147
Unrestricted	(20,729,577)
TOTAL NET POSITION	\$ (13,022,094)

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

Gateway Unified School District

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020	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	\$ 21,322,585	\$ 2,094,098	\$ 3,716,571	\$ (15,511,916)
Instruction-related services	3,167,114	503,491	299,588	(2,364,035)
Pupil services	4,042,743	56,559	1,807,856	(2,178,328)
Ancillary services	420,848	266	4,749	(415,833)
Community services	9,482	9,336	512	366
General administration	2,367,929	9,539	207,038	(2,151,352)
Plant services	3,026,069	32,954	70,445	(2,922,670)
Other outgo	223,973	2,369	2,637	(218,967)
Interest on long-term debt	2,325,939	-	-	(2,325,939)
Total Governmental Activities	\$ 36,906,682	\$ 2,708,612	\$ 6,109,396	(28,088,674)
GENERAL REVENUES				
Property taxes - levied for general purposes				14,243,336
Property taxes - levied for debt service				1,876,229
Property taxes - levied for other specific purposes				383,635
Federal and state aid not restricted to specific purposes				11,243,457
Unrestricted investment earnings				349,425
Interagency revenues				97,724
Miscellaneous				289,318
TOTAL GENERAL REVENUES				28,483,124
Change in Net Position				394,450
Net Position - Beginning of Year				(13,416,544)
Net Position - End of Year				\$ (13,022,094)

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

Gateway Unified School District
BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2020	General Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 11,405,795	\$ 2,815,572	\$ 2,507,640	\$ 16,729,007
Accounts receivable	1,081,795	-	2,443	1,084,238
Due from other governments	3,757,680	-	44,741	3,802,421
Due from other funds	59,650	3,059	-	62,709
Inventories	-	-	45,032	45,032
Prepaid expenditures	1,000	-	-	1,000
TOTAL ASSETS	\$ 16,305,920	\$ 2,818,631	\$ 2,599,856	\$ 21,724,407
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and other current liabilities	\$ 841,100	\$ -	\$ 17,105	\$ 858,205
Due to other governments	1,751,493	-	-	1,751,493
Due to other funds	-	-	62,709	62,709
Advances from grantors	1,256,606	-	-	1,256,606
Total Liabilities	3,849,199	-	79,814	3,929,013
Fund Balances				
Nonspendable	12,900	-	45,032	57,932
Restricted	2,693,272	2,818,631	2,472,656	7,984,559
Assigned	3,624,761	-	2,354	3,627,115
Unassigned	6,125,788	-	-	6,125,788
Total Fund Balances	12,456,721	2,818,631	2,520,042	17,795,394
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,305,920	\$ 2,818,631	\$ 2,599,856	\$ 21,724,407

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, 2020

Total Fund Balances - Governmental Funds	\$ 17,795,394
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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	\$ 78,500,296
Accumulated depreciation	(37,124,434)

Total Capital Assets - Net	41,375,862
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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 unmatrued interest owed at the end of the period was:

(262,255)

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	44,693,412
Net pension liability	32,224,080
Total OPEB liability	1,704,036
Compensated absences	126,726
Deferred loss on debt refunding	(2,320,659)

Total Long-Term Liabilities	(76,427,595)
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Balance Forward	\$ (17,518,594)
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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, 2020

Balance Brought Forward	\$ (17,518,594)
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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	7,228,315
Deferred inflows of resources relating to pensions	(3,097,032)

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	365,217
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Total Net Position - Governmental Activities	\$ (13,022,094)
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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, 2020	General Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 14,243,336	\$ 1,876,229	\$ -	\$ 16,119,565
Local control funding formula sources	9,682,119	-	-	9,682,119
Other state revenue	3,347,106	-	60,602	3,407,708
Federal revenue	3,413,851	-	879,560	4,293,411
Other local revenue	4,011,864	53,722	870,244	4,935,830
Total Revenues	34,698,276	1,929,951	1,810,406	38,438,633
Expenditures				
Current:				
Instruction	19,825,445	-	-	19,825,445
Instruction-related services	3,092,264	-	1,157,561	4,249,825
Pupil services	3,262,080	-	-	3,262,080
Ancillary services	425,412	-	-	425,412
Community services	9,482	-	-	9,482
General administration	2,041,359	-	68,727	2,110,086
Plant services	2,732,110	-	24,189	2,756,299
Transfers between agencies	223,973	-	-	223,973
Debt service:				
Principal	-	1,604,024	-	1,604,024
Interest and other charges	-	672,395	-	672,395
Issuance costs and discounts	-	-	252,047	252,047
Capital outlay	72,582	-	-	72,582
Total Expenditures	31,684,707	2,276,419	1,502,524	35,463,650
Excess (Deficiency) of Revenues Over Expenditures	3,013,569	(346,468)	307,882	2,974,983
Other Financing Sources (Uses)				
Interfund transfers in	-	3,059	166,127	169,186
Interfund transfers out	(166,127)	-	(3,059)	(169,186)
Other sources	-	-	77,474	77,474
Other financing source - refunding bonds	-	-	8,670,903	8,670,903
Other financing use - payment to refunded bond escrow agent	-	-	(8,498,680)	(8,498,680)
Total Other Financing Sources (Uses)	(166,127)	3,059	412,765	249,697
Net Change in Fund Balances	2,847,442	(343,409)	720,647	3,224,680
Fund Balances - Beginning of Year	9,609,279	3,162,040	1,799,395	14,570,714
Fund Balances - End of Year	\$ 12,456,721	\$ 2,818,631	\$ 2,520,042	\$ 17,795,394

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, 2020

Total Net Change in Fund Balances - Governmental Funds	\$ 3,224,680
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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	\$ 932,017
Depreciation expense	(2,028,935)

Net Capital Outlay	(1,096,918)
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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:

8,864,647

Debt proceeds: In governmental funds, proceeds from long-term debt are recognized as other financing sources. In the government-wide statements, proceeds from long-term debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from long-term debt, net of issue premium or discount, were:

(7,493,936)

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:

(1,494,348)

Balance Forward	\$ 2,004,125
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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, 2020

Balance Brought Forward	\$ 2,004,125
 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:	 (7,779)
 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:	 (1,983,865)
 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:	 305,502
 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:	 76,467
Change in Net Position of Governmental Activities	\$ 394,450

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

Gateway Unified School District

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

June 30, 2020	Foundation Private- Purpose Trust		Agency
ASSETS			
Cash and investments	\$	265,629	\$ 85,583
Inventories		-	2,006
TOTAL ASSETS		265,629	\$ 87,589
LIABILITIES			
Accounts payable		-	\$ 52,129
Due to student groups		-	35,460
TOTAL LIABILITIES		-	\$ 87,589
NET POSITION			
Held in trust for scholarships	\$	265,629	

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
Year Ended June 30, 2020	
Additions	
Interest and investment earnings	\$ 5,091
Donations	10,900
Total Additions	15,991
Deductions	
Scholarships awarded	24,150
Change in Net Position	(8,159)
Net Position - Beginning of Year	273,788
Net Position - End of Year	\$ 265,629

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.

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.

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.

Fund Financial Statements Fund financial statements 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.

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

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 more than one year. As of June 30, 2020, the fair value of the County pool was 101.38% 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, 2020, was \$110,491. 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, 2020, was \$200,984.

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, 2020. 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, 2020. At June 30, 2020, 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.

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

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, 2020	Maturities	Fair Value
Petty cash/cash awaiting deposit		\$ 250
Deposits (1)		40,172
Subtotal		40,422
Investments That Are Not Securities (2)		
County treasurer's investment pool	17.8 months average	17,039,797
Total Cash and Investments		17,080,219
Less: Trust fund cash and investments		265,629
Less: Agency fund cash and investments		85,583
Total Cash and Investments Per Government-Wide Statement of Net Position		\$ 16,729,007

- (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, 2020:

- County treasurer's investment pool of \$17,039,797 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, 2020	General Fund	Other Governmental Funds
Interest	\$ 7,153	\$ 2,443
Other	1,074,642	-
Total	\$ 1,081,795	\$ 2,443

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, 2020	General Fund	Other Governmental Funds
Due From		
Federal government	\$ 1,389,178	\$ 41,429
State government	1,824,255	3,312
Local governments	544,247	-
Total	\$ 3,757,680	\$ 44,741

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	\$	59,650
Bond Interest and Redemption	Building		3,059
Total		\$	62,709

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 and cost reimbursement; and

Bond Interest and Redemption Fund interfund receivable from the Building Fund for bond premiums from advanced refunding of bonds.

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	\$	166,127
Building	Bond Interest and Redemption		3,059
Total		\$	169,186

Transfers are used for the following:

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

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

The specific purpose of the interfund transfer that does not occur on a routine basis is as follows:

Transfer bond premiums from advanced refunding of bonds to the Bond Interest and Redemption Fund.

No transfers are 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, 2020	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Nondepreciated Capital Assets				
Land	\$ 341,760	\$ -	\$ -	\$ 341,760
Construction in progress	99,890	47,508	147,398	-
Total Nondepreciated Capital Assets	441,650	47,508	147,398	341,760
Depreciated Capital Assets				
Buildings and improvements	72,540,286	64,290	-	72,604,576
Equipment and vehicles	4,732,877	967,617	146,534	5,553,960
Total Depreciated Capital Assets	77,273,163	1,031,907	146,534	78,158,536
Totals at Historical Cost	77,714,813	1,079,415	293,932	78,500,296
Less: Accumulated Depreciation				
Buildings and improvements	31,592,974	1,719,369	-	33,312,343
Equipment and vehicles	3,649,059	309,566	146,534	3,812,091
Total Accumulated Depreciation	35,242,033	2,028,935	146,534	37,124,434
Total Depreciated Capital Assets - Net	42,031,130	(997,028)	-	41,034,102
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS - NET	\$ 42,472,780	\$ (949,520)	\$ 147,398	\$ 41,375,862

Depreciation expense was charged to governmental activities as follows:

Year Ended June 30, 2020	
Governmental Activities	
Instruction	\$ 1,715,299
Instruction - related services	5,098
Pupil services	268,462
Ancillary services	2,507
General administration	35,713
Plant services	1,856
Total Depreciation Expense - Governmental Activities	\$ 2,028,935

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

7. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

June 30, 2020	General Fund	Other Governmental Funds
Vendors	\$ 550,636	\$ 1,670
Salaries and benefits	290,416	15,435
Other	48	-
Total	\$ 841,100	\$ 17,105

8. DUE TO OTHER GOVERNMENTS

Due to other governments consisted of the following:

June 30, 2020	General Fund
Due To	
State government	\$ 1,395,921
Local governments	355,572
Total	\$ 1,751,493

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

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, 2019	Issued Current Year	Refunded Current Year	Redeemed Current Year	Outstanding June 30, 2020
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	2,502,171	-	520,000	360,000	1,622,171
2011	2.0-4.0%	2024	7,655,000	4,845,000	-	-	665,000	4,180,000
2013	1.13-6.27%	2040	6,300,281	5,805,515	-	5,220,982	129,024	455,509
2014	2.0-5.0%	2027	5,360,000	3,945,000	-	-	400,000	3,545,000
2017	2.0-5.25%	2042	2,800,000	2,750,000	-	-	-	2,750,000
2017	2.0-4.0%	2028	6,378,960	6,363,960	-	-	50,000	6,313,960
2020	3.5-4.0%	2028	475,000	-	475,000	-	-	475,000
2020	2.55-3.59%	2039	8,195,903	-	8,195,903	-	-	8,195,903
Total			\$ 65,480,830	\$ 31,466,614	\$ 8,670,903	\$ 5,740,982	\$ 1,604,024	\$ 32,792,511

The amount of interest cost incurred during the year ended June 30, 2020, was \$2,144,562, 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
2021	\$ 1,599,996	\$ 843,650	\$ 2,443,646
2022	1,685,504	870,125	2,555,629
2023	1,786,519	855,708	2,642,227
2024	1,904,798	841,661	2,746,459
2025	2,379,361	350,880	2,730,241
2026-2030	7,122,019	8,317,275	15,439,294
2031-2035	4,989,169	13,630,536	18,619,705
2036-2040	7,694,903	10,806,312	18,501,215
2041-2043	3,630,242	6,994,758	10,625,000
Total	\$ 32,792,511	\$ 43,510,905	\$ 76,303,416

10. LONG-TERM DEBT – REFUNDING

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, 2020, were \$324,474.

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, 2020, were \$2,476,842.

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, 2020, was zero.

On June 18, 2020, the District refunded the 2013 Series general obligation bonds totaling \$5,220,983 with the 2020 general obligation refunding bonds, Series B. Resources totaling \$7,965,645 were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$8,021,579 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, 2020, was \$5,220,983.

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

The refunding was undertaken to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding general obligation bonds) of \$1,205,049. As a result of this refunding, total debt service payments over the next 4 years will decrease by \$1,984,475.

Current Refunding

On June 18, 2020, the District refunded the 2009 Series general obligation bonds totaling \$520,000 with the 2020 general obligation refunding bonds, Series A. Resources totaling \$533,035 were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$533,092 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, 2020, was \$520,000.

The refunding was undertaken to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding general obligation bonds) of \$113,193. As a result of this refunding, total debt service payments will decrease by \$119,675.

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:

<u>Year Ending June 30</u>	<u>Lease Payments</u>
2021	\$ 356,312
2022	256,312
2023	256,312
2024	256,312
2025	115,302
Total	\$ 1,240,550

The District will receive no sublease rental revenues nor pay for any contingent rentals for this equipment. Rent expenditures were \$286,995 for the year ended June 30, 2020.

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

12. CHANGES IN LONG-TERM DEBT

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

Year Ended June 30, 2020	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Compensated absences	\$ 118,947	\$ 7,779	\$ -	\$ 126,726	\$ -
General obligation bonds	31,466,614	8,670,903	7,345,006	32,792,511	1,599,996
Bond issue premiums	1,249,901	77,474	164,043	1,163,332	155,711
Capitalized interest	10,741,755	1,515,455	1,519,641	10,737,569	215,004
Total OPEB liability	2,010,250	-	306,214	1,704,036	-
Net pension liability	32,178,771	45,309	-	32,224,080	-
Total	\$ 77,766,238	\$ 10,316,920	\$ 9,334,904	\$ 78,748,254	\$ 1,970,711

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

13. FUND BALANCES COMPONENTS

Fund balances are composed of the following:

June 30, 2020	General Fund	Bond Interest and Redemption Fund	Other Governmental Funds
Nonspendable			
Reserved for:			
Revolving cash	\$ 11,900	\$ -	\$ -
Inventories	-	-	45,032
Prepaid expenditures	1,000	-	-
Total Nonspendable	\$ 12,900	\$ -	\$ 45,032
Restricted			
Restricted for:			
Capital projects	\$ -	\$ -	\$ 2,419,509
Debt service	-	2,818,631	-
Federal and state categoricals	2,693,272	-	53,147
Total Restricted	\$ 2,693,272	\$ 2,818,631	\$ 2,472,656
Assigned			
Assigned for:			
Medi-Cal	\$ 783,192	\$ -	\$ -
Classroom furniture	125,000	-	-
Textbook adoption	250,000	-	-
Early Intervention Grant	272,228	-	-
Equipment replacement	592,784	-	-
Technology infrastructure	105,842	-	-
Cafeteria encroachment due to COVID	300,000	-	-
Student sports: fundraising	18,189	-	-
Student programs: fundraising	38,166	-	-
Deferred maintenance	104,289	-	-
OPEB obligation	532,630	-	-
Capital projects	-	-	2,354
Insurance proceeds for fire at Canyon site	140,744	-	-
Other designations	361,697	-	-
Total Assigned	\$ 3,624,761	\$ -	\$ 2,354
Unassigned			
Designated for economic uncertainties	\$ 6,125,788	\$ -	\$ -

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.

COVID-19

The novel coronavirus, COVID-19, was declared a worldwide pandemic by the World Health Organization on March 11, 2020. The ongoing pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly-evolving situation. The impact of the pandemic on the District's operations and financial performance will depend on future developments, including government mandates and duration of the pandemic, all of which are uncertain and difficult to predict. As a result, it is not currently possible to assess the overall impact of COVID-19 on the District's future. However, if the pandemic continues, the disease could have a material adverse effect on the District's results of operations, financial condition, and cash flows. Management is monitoring the situation on a daily basis in order to mitigate the potential impact of COVID-19 on the District's operations and financial performance.

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, 2020	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS State Teachers'				
Retirement Plan	\$ 18,966,360	\$ 4,306,005	\$ 2,271,100	\$ 2,069,020
CalPERS School Employer Pool	13,257,720	2,922,310	825,932	2,948,467
Total	\$ 32,224,080	\$ 7,228,315	\$ 3,097,032	\$ 5,017,487

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 2019-20 was 17.10% of annual payroll. The District's contributions to CalSTRS for the fiscal year ended June 30, 2020, were \$1,859,565.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2020, 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:

<u>June 30, 2020</u>	
District's proportionate share of the net pension liability	\$ 18,966,360
State's proportionate share of the net pension liability associated with the District	10,347,499
Total	\$ 29,313,859

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

The District's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, 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, 2020, the District's proportion was 0.021%.

State Teachers' Retirement Law also requires the state to contribute 10.328% of the members' creditable earnings from the fiscal year ending in the prior calendar year. *California Education Code*, Section 22950.6 appropriated 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 to reduce school employers' contributions and unfunded liabilities for the 2019-20 and 2020-21 fiscal years. For the year ended June 30, 2020, the District recognized pension expense of \$283,102 and revenue of \$283,102 for support provided by the state. At June 30, 2020, 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	\$ 47,880	\$ 534,090
Net difference between projected and actual earnings on pension plan investments	-	730,446
Change in assumptions	2,398,560	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,006,564
District contributions subsequent to the measurement date	1,859,565	-
Total	\$ 4,306,005	\$ 2,271,100

The \$1,859,565 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, 2021. 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	
2021	\$ 160,659
2022	(345,795)
2023	153,100
2024	458,954
2025	(196,168)
Thereafter	(55,410)
Total	\$ 175,340

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

Actuarial Assumptions The total pension liability in the June 30, 2018, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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, 2018, 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) 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, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.80%
Private equity	13%	6.30%
Real estate	13%	3.60%
Inflation sensitive	4%	3.30%
Fixed income	12%	1.30%
Risk mitigating strategies	9%	1.80%
Cash/liquidity	2%	-0.40%
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.

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

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:

June 30, 2020	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 28,242,480	\$ 18,966,360	\$ 11,274,690

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 2019-20 fiscal year was 19.721%. The District's contributions to CalPERS for the fiscal year ended June 30, 2020, were \$1,174,057.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2020, the District reported a net pension liability of \$13,257,720 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, 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, 2020, the District's proportion was 0.0455%.

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

For the year ended June 30, 2020, the District recognized pension expense of \$2,948,467. *California Government Code*, Section 20825.2 appropriated \$904,000,000 from the state's General Fund for fiscal year 2018-19 to be transferred to the Public Employees' Retirement Fund, to reduce school employers' contributions and unfunded liabilities for the 2019-20 through 2021-22 fiscal years. No amounts are recognized at the government-wide level for the year ended June 30, 2020, as the government-wide financial statements are reported based on the June 30, 2019 measurement date. Due to the timing of the state's contribution, these amounts will not be reflected in the CalPERS funded status until the June 30, 2020, measurement date. At June 30, 2020, 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	\$ 963,043	\$ -
Net difference between projected and actual earnings on pension plan investments	-	122,968
Change in assumptions	631,109	-
Changes in proportion and differences between District contributions and proportionate share of contributions	154,101	702,964
District contributions subsequent to the measurement date	1,174,057	-
Total	\$ 2,922,310	\$ 825,932

The \$1,174,057 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, 2021. 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	
2021	\$ 1,030,840
2022	(76,331)
2023	(64,283)
2024	32,095
Total	\$ 922,321

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

Actuarial Assumptions The total pension liability in the June 30, 2018, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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	7.15%

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, 2018, 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, 2020	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 19,110,132	\$ 13,257,720	\$ 8,402,740

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 2019-20, 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 GASB Statement No. 75.

Employees Covered

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

June 30, 2020	
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, 2020, the District contributed \$538,041, 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, 2020, using an annual actuarial valuation as of July 1, 2018, rolled forward to June 30, 2020, using standard update procedures. The June 30, 2020, total OPEB liability was based on the actuarial methods and assumptions as shown below.

Actuarial Assumptions

The following actuarial assumptions were applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2018
Measurement date	June 30, 2020
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation	3.00%
Salary increases	3.00%
Discount rate	2.45%
Healthcare cost trend rate - pre-65	5.80% ⁽¹⁾

(1) For fiscal year 2020, 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 2.45%. 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, 2020	
Total OPEB Liability	
Service cost	\$ 110,518
Interest	58,025
Changes of assumptions	63,284
Benefit payments - including refunds of employee contributions	(538,041)
Net Change in Total OPEB Liability	(306,214)
Total OPEB Liability - Beginning of Year	2,010,250
Total OPEB Liability - End of Year	\$ 1,704,036
Covered-employee payroll	\$ 17,367,873
District's total OPEB liability as a percentage of covered-employee payroll	9.81%

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 2.45%, as well as the District's total OPEB liability if it was calculated using a discount rate that is one percentage point lower (1.45%) or one percentage point higher (3.45%) than the current rate:

June 30, 2020	1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
Total OPEB liability	\$ 1,800,189	\$ 1,704,036	\$ 1,611,617

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 5.80%, as well as the District's total OPEB liability if it was calculated using a healthcare trend rate that is one percentage point lower (4.80%) or one percentage point higher (6.80%) than the current rate:

June 30, 2020	1% Decrease (4.80%)	Health Cost Trend Rates (5.80%)	1% Increase (6.80%)
Total OPEB liability	\$ 1,650,229	\$ 1,704,036	\$ 1,761,740

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, 2020, the District recognized OPEB expense of \$232,539. At June 30, 2020, 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	\$ 217,881	\$ -
Change in assumptions	147,336	-
Total	\$ 365,217	\$ -

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	
2021	\$ 63,996
2022	63,996
2023	63,996
2024	63,996
2025	63,996
Thereafter	45,237
Total	\$ 365,217

20. 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, 2020, 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, 2021, 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, 2020	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 12,703,854	\$ 13,580,730	\$ 14,243,336	\$ 662,606
Local control funding formula sources	11,177,333	10,323,185	9,682,119	(641,066)
Other state revenue	3,324,504	3,202,990	3,347,106	144,116
Federal revenue	2,442,665	2,934,955	3,413,851	478,896
Other local revenue	4,040,660	4,262,092	4,011,864	(250,228)
Total Revenues	33,689,016	34,303,952	34,698,276	394,324
Expenditures				
Certificated salaries	11,367,972	11,433,411	11,330,271	103,140
Classified salaries	6,220,110	5,943,466	5,801,928	141,538
Employee benefits	7,942,136	8,077,372	8,060,857	16,515
Books and supplies	1,594,707	1,316,479	1,072,999	243,480
Services and other operating	5,451,894	5,304,941	4,321,928	983,013
Capital outlay	1,620,000	932,018	932,018	-
Other outgo	121,921	164,706	164,706	-
Total Expenditures	34,318,740	33,172,393	31,684,707	1,487,686
Excess (Deficiency) of Revenues Over Expenditures	(629,724)	1,131,559	3,013,569	1,882,010
Other Financing Sources (Uses)				
Interfund transfers out	(142,262)	(267,072)	(166,127)	100,945
Net Change in Fund Balances	(771,986)	864,487	2,847,442	1,982,955
Fund Balances - Beginning of Year	9,609,279	9,609,279	9,609,279	-
Fund Balances - End of Year	\$ 8,837,293	\$ 10,473,766	\$ 12,456,721	\$ 1,982,955

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, 2020.

Gateway Unified School District

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

Years Ended June 30	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 110,518	\$ 103,899	\$ 92,019
Interest	58,025	70,427	61,842
Difference between expected and actual experience	-	295,695	-
Changes of assumptions	63,284	125,678	-
Benefit payments - including refunds of employee contributions	(538,041)	(305,303)	(282,168)
Net Change In Total OPEB Liability	(306,214)	290,396	(128,307)
Total OPEB Liability - Beginning of Year	2,010,250	1,719,854	1,848,161
Total OPEB Liability - End of Year	1,704,036	2,010,250	1,719,854
Covered-employee payroll	\$ 17,367,873	\$ 18,393,571	\$ 18,315,799
District's total OPEB liability as a percentage of covered-employee payroll	9.81%	10.93%	9.39%

See the accompanying notes to the required supplementary information.

Gateway Unified School District

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – OPEB

Years Ended June 30	2020		2019		2018	
Contractually required contribution	\$	538,041	\$	305,303	\$	282,168
Contributions in relation to the contractually required contribution		(538,041)		(305,303)		(282,168)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-
Covered-employee payroll	\$	17,367,873	\$	18,393,571	\$	18,315,799
Contributions as a percentage of covered-employee payroll		3.10%		1.66%		1.54%

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	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.021%	0.021%	0.022%	0.022%	0.023%	0.023%
District's proportionate share of the net pension liability (asset)	\$ 18,966,360	\$ 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	10,347,499	11,050,476	12,036,383	10,131,196	8,189,582	8,116,042
Total	\$ 29,313,859	\$ 30,350,946	\$ 32,381,983	\$ 27,925,016	\$ 23,674,102	\$ 21,556,552
District's covered-employee payroll	\$ 11,018,139	\$ 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	172.14%	166.31%	174.34%	162.29%	146.75%	129.01%
Plan fiduciary net position as a percentage of the total pension liability	72.60%	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	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,859,565	\$ 1,793,753	\$ 1,674,570	\$ 1,468,109	\$ 1,176,425	\$ 936,960
Contributions in relation to the contractually required contribution	(1,859,565)	(1,793,753)	(1,674,570)	(1,468,109)	(1,176,425)	(936,960)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 11,018,139	\$ 11,604,782	\$ 11,670,183	\$ 10,963,886	\$ 10,551,351	\$ 10,418,339
Contributions as a percentage of covered-employee payroll	16.88%	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	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0455%	0.0483%	0.0494%	0.0464%	0.0467%	0.0464%
District's proportionate share of the net pension liability (asset)	\$ 13,257,720	\$ 12,878,301	\$ 11,800,246	\$ 9,164,029	\$ 6,885,088	\$ 5,195,807
District's covered-employee payroll	\$ 6,440,726	\$ 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	205.84%	202.32%	187.45%	164.45%	133.20%	106.51%
Plan fiduciary net position as a percentage of the total pension liability	70.00%	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	2020		2019		2018		2017		2016		2015	
Contractually required contribution	\$	1,174,057	\$	1,163,324	\$	988,609	\$	874,283	\$	660,164	\$	608,431
Contributions in relation to the contractually required contribution		(1,174,057)		(1,163,324)		(988,609)		(874,283)		(660,164)		(608,431)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	6,440,726	\$	6,365,392	\$	6,295,240	\$	5,572,415	\$	5,168,898	\$	4,878,133
Contributions as a percentage of covered-employee payroll		18.23%		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, 2020.

For the measurement period ended June 30, 2020, the long-term expected rate of return was changed from 3.13% to 2.45% to reflect changes in the Municipal Bond 20-Year High Grade Rate Index.

Assets to Pay Related Benefits

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 as of June 30, 2020.

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, 2019.

California Public Employees' Retirement System

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

3. CHANGES OF ASSUMPTIONS

California State Teachers' Retirement System

There were no significant changes of assumptions during the measurement period ended June 30, 2019.

California Public Employees' Retirement System

There were no significant changes of assumptions during the measurement period ended June 30, 2019.

OTHER SUPPLEMENTARY INFORMATION SECTION

Gateway Unified School District

LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE

June 30, 2020

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
Dale Wallace	Vice President	2022
Diane Corbell	Clerk	2020
Fred Braun	Member	2022
Debbie Bourne	Member	2022

ADMINISTRATION

James M. Harrell
Superintendent

Steve Henson
Director of Business Services

Gateway Unified School District

SCHEDULE OF CHARTER SCHOOLS

Year Ended June 30, 2020

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, 2020

	Originally Reported		Final	
	Second Period Report	Annual Report	Second Period Report	Annual Report
ELEMENTARY				
Regular ADA*				
Transitional kindergarten/ kindergarten through grade 3	664	664	664	664
Grades 4 through 6	474	474	474	474
Grades 7 through 8	308	308	308	308
Special Education - Nonpublic, Nonsectarian Schools				
Grades 4 through 6	3	3	3	3
Grades 7 through 8	2	2	2	2
Community Day School				
Grades 7 through 8	6	6	6	6
ELEMENTARY TOTALS	1,457	1,457	1,457	1,457
HIGH SCHOOL				
Regular ADA**				
Grades 9 through 12	608	608	608	608
Extended-Year Special Education - Nonpublic, Nonsectarian Schools				
Grades 9 through 12	2	2	2	2
Community Day School				
Grades 9 through 12	10	9	10	9
HIGH SCHOOL TOTALS	620	619	620	619
ADA Totals	2,077	2,076	2,077	2,076

* 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, 2020

	Minutes Requirement	2019-20 Actual Minutes	Traditional Calendar Days	Multitrack Calendar Days	Status
Kindergarten	36,000	61,740	180	N/A	Complied
Grade 1	50,400	55,440	180	N/A	Complied
Grade 2	50,400	58,140	180	N/A	Complied
Grade 3	50,400	58,140	180	N/A	Complied
Grade 4	54,000	58,140	180	N/A	Complied
Grade 5	54,000	58,140	180	N/A	Complied
Grade 6	54,000	60,840	180	N/A	Complied
Grade 7	54,000	60,840	180	N/A	Complied
Grade 8	54,000	60,840	180	N/A	Complied
Grade 9	64,800	66,300	180	N/A	Complied
Grade 10	64,800	66,300	180	N/A	Complied
Grade 11	64,800	66,300	180	N/A	Complied
Grade 12	64,800	66,300	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) 2021	2020	2019	2018
General Fund				
Revenues and other financial sources	\$ 33,285,628	\$ 34,698,276	\$ 35,299,857	\$ 31,215,508
Expenditures	33,605,376	31,684,707	34,146,636	32,603,626
Other uses and transfers out	167,735	166,127	115,000	77,694
Total Outgo	33,773,111	31,850,834	34,261,636	32,681,320
Change in Fund Balance	(487,483)	2,847,442	1,038,221	(1,465,812)
Ending Fund Balance	\$ 11,969,238	\$ 12,456,721	\$ 9,609,279	\$ 8,571,058
Available reserves	\$ 4,645,040	\$ 6,125,788	\$ 4,550,941	\$ 4,701,799
Designated for economic uncertainties	\$ 4,645,040	\$ 6,125,788	\$ 4,550,941	\$ 4,701,799
Undesignated fund balance	\$ -	\$ -	\$ -	\$ -
Available reserves as a percentage of total outgo	14%	19%	13%	12%
Total long-term debt	\$ 78,279,986	\$ 78,748,254	\$ 77,766,238	\$ 77,692,551
Average daily attendance at P-2	2,056	2,077	2,117	2,141

The General Fund balance has increased by \$3,885,663 over the past two years. The fiscal year 2020-21 budget projects a decrease of \$487,483 (3.9%). 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 one of the past three years and anticipates incurring an operating deficit during the 2020-21 fiscal year. Total long-term debt has increased by \$1,055,703 over the past two years.

Average daily attendance has decreased by 64 over the past two years. The District anticipates average daily attendance to decline by 21 during fiscal year 2020-21.

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, 2020

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, 2020

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	\$ 619,652
Special Education - IDEA Preschool	84.173	13430	144,193
Total Special Education Cluster			763,845
ESEA - Title I, Part A Grants			
ESEA - Title I, Part A, Basic Grants	84.010	14329	1,094,903
ESEA - School Improvement Funding for LEAs	84.010	15438	78,719
Total ESEA - Title I, Part A Grants			1,173,622
Vocational Programs - Vocational and Applied Technical			
Secondary IC, Section 131	84.048	14894	37,052
ESEA - Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	127,774
ESEA - Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	61,689
Direct Programs			
Indian Education - Grants to Local Educational Agencies	84.060		29,290
Impact Aid - Title VIII	84.041		29,813
Total U.S. Department of Education			2,223,085
U.S. Environmental Protection Agency			
Passed Through California Air Resource Board			
Statewide School Bus Program	66.040	G17-DERA	360,000
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
School Breakfast	10.553	13390	183,793
National School Lunch	10.555	13391	545,997
Summer Food Service Program Operations	10.559	13004	72,743
Nonmonetary Assistance			
Food Donation	10.555		77,027
Total Child Nutrition Cluster			879,560
Passed Through Shasta County Office of Education			
Schools and Roads - Grants to Counties	10.666	10044	100,900
Total U.S. Department of Agriculture			980,460
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,563,545

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, 2020. 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, 2020; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated February 4, 2021.

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) as a basis for designing 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 2020-001, 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

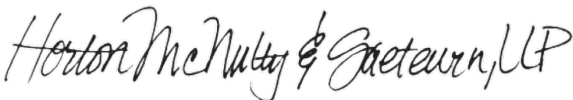
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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



February 4, 2021
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, 2020. 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, 2020.

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.

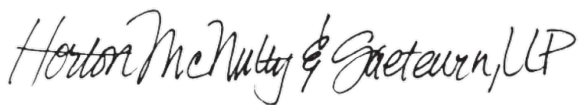
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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



February 4, 2021
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 *2019-20 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, 2020. 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 *2019-20 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 *2019-20 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, 2020	Procedures Performed
Attendance	Yes
Teacher certification and misassignments	Yes
Kindergarten continuance	Yes
Independent study	Yes
Continuation education	Yes
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

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 2019-20, 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

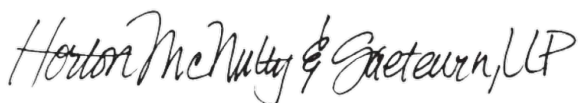
Opinion on State Compliance

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, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the state compliance requirements referred to above that are required to be reported in accordance with the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, which are described in the accompanying schedule of findings and questioned costs as item 2020-002. Our opinion on state compliance is not modified with respect to these matters.

The District's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.



February 4, 2021
Chico, California

FINDINGS AND QUESTIONED COSTS SECTION

Gateway Unified School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2020

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 No. 84.010 Title I Grants to Local Educational Agencies	
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

Gateway Unified School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2020
(Continued)

SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT

INTERNAL CONTROL (Student Body Accounts)
30000 (2020-001)

Significant Deficiency

Condition

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

1. For two of 15 deposits tested, the supporting documents did not document the date received; therefore, timeliness of the deposits could not be determined.
2. For one 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, deposits were not made timely.
4. For one of 15 deposits tested, event/fundraiser approval form was not provided. It was determined that donations were collected in boxes placed throughout school sites for UNICEF. In addition, cash count sheets were not prepared; therefore, there is no direct link between collections and the amount that was later donated to UNICEF.
5. For 3 of 15 disbursements tested, student body officer approval was not obtained for an increase in purchase order amount.
6. For 3 of 15 disbursements tested, pre-approval did not occur. They were approved after purchases were made.

We noted that for one of 5 deposits tested for the elementary school sites, the deposit was not made timely.

This finding relates to item 2019-001 that was reported in the previous year and is listed in the Summary Schedule of Prior Audit Findings.

Gateway Unified School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2020

(Continued)

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 contain sales. These logs should contain the quantity of items sold and their dollar value in sales.
3. For events to raise funds for outside organizations, board approval should be obtained and such approvals documented. A paper trail (i.e. tally sheets or other support) should be kept to clearly link between amount collected and remitted to outside organizations.
4. 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. Increases to pre-approved amounts should be approved again by the same authorized individuals.

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.

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 2020-21 to comply with the recommendation.

Gateway Unified School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2020
(Continued)

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

None.

Gateway Unified School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2020

(Continued)

SECTION IV FINDINGS

STATE AWARDS AUDIT

STATE COMPLIANCE (Comprehensive School Safety Plan)

40000 (2020-002)

State Compliance

Condition Comprehensive school safety plans for three out of four school sites selected for testing were not reviewed or approved by school site councils. They were approved by the Board of Trustees by March 1.

Criteria Per *California Education Code*, Section 32281, each school district and county office of education is responsible for the overall development of all comprehensive school safety plans for its schools operating kindergarten or any of grades 1 to 12, inclusive. *California Education Code*, Section 32286 requires each school to adopt such plan by March 1, 2000, and to review and update the plan by March 1, every year thereafter.

Effect The District is not in compliance with the requirements of *California Education Code*, Section 32286.

Cause The plans were updated. However, they were not brought to the school site councils for review and approval, before bringing them to the Board of Trustees for adoption.

Recommendation We recommend that the District establishes, and each school site follows, a process to ensure comprehensive school safety plans are reviewed, updated, and approved annually by school site councils prior to bringing them to the Board of Trustees by March 1.

Response The District's administration will adopt procedures during 2020-21 fiscal year to comply with the recommendation.

Gateway Unified School District

CORRECTIVE ACTION PLAN

June 30, 2020

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

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.

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.

Current Status See current-year finding in the schedule of findings and questioned costs (item 2020-001).