

# Gateway Unified School District

County of Shasta  
Redding, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2021



# 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, 2021; 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, 2021; 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.

### ***Effect of Adopting New Accounting Standards***

As discussed in note 1 to the basic financial statements, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, as amended by GASB Statement No. 92, *Omnibus 2020*, for the fiscal year ended June 30, 2021. Our opinion is not modified with respect to this matter.

### ***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 71 to 78, 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* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

## **INDEPENDENT AUDITORS' REPORT**

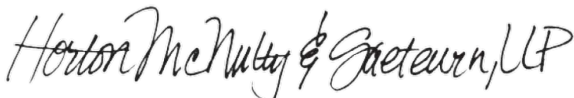
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Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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 73 to 78 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 January 27, 2022, 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.



January 27, 2022  
Chico, California

## **FINANCIAL SECTION**

## **Required Supplementary Information**



## **INTRODUCTION**

An overview of the Gateway Unified School District's (the District) financial activities for the fiscal year ended June 30, 2021, 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.

As discussed in note 1 to the basic financial statements, the District implemented the provisions of Governmental Accounting Standards Board (GASB) GASB Statement No. 84, *Fiduciary Activities*, as amended by GASB Statement No. 92, *Omnibus 2020*, for the fiscal year ended June 30, 2021. The summarized comparative information presented in this management's discussion and analysis for the year ended June 30, 2020, has not been restated to reflect student activity revenue and expense accounting as required by the GASB Statement No. 84, as amended by GASB Statement No. 92. Information was not available for such restatement. Therefore, certain accounts fluctuate significantly between fiscal years 2019-20 and 2020-21 due to information for the two years not being comparable.

## **FINANCIAL HIGHLIGHTS**

Overall revenues were \$41,505,581. Revenues exceeded expenses by \$1,679,780.

Total net position in governmental activities was negative \$11,040,343, an increase of 13.2% from the previous year. The General Fund reported a total fund balance of \$16,194,540.

Enrollment in the District decreased by 3.5%.

The District's long-term debt decreased from \$78,748,254 at June 30, 2020, to \$78,289,098 at June 30, 2021. This represents a 0.6% decrease in long-term debt overall.

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

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**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 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.

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)

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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).

**Governmental Funds**

All 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.

**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, 2021, was a negative \$11,040,343. Of this amount, a negative \$18,210,647 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 2020-21
	2020	2021	
<b>ASSETS</b>			
Cash and investments	\$ 17,080,219 *	\$ 19,606,817	14.8%
Receivables	4,886,659	10,416,842	113.2%
Other assets	48,920 *	80,202	63.9%
Capital assets - net	41,375,862	38,725,924	-6.4%
<b>TOTAL ASSETS</b>	<b>63,391,660 *</b>	<b>68,829,785</b>	<b>8.6%</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources for pensions	7,228,315	6,408,611	-11.3%
Deferred outflows of resources for OPEB	365,217	821,213	124.9%
Deferred loss on advance refunding	2,320,659	2,179,091	-6.1%
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>9,914,191</b>	<b>9,408,915</b>	<b>-5.1%</b>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	2,924,082 *	3,277,030	12.1%
Advances from grantors	1,256,606	4,113,963	227.4%
Long-term debt	78,748,254	78,289,098	-0.6%
<b>TOTAL LIABILITIES</b>	<b>82,928,942 *</b>	<b>85,680,091</b>	<b>3.3%</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources for pensions	3,097,032	3,598,952	16.2%
<b>NET POSITION</b>			
Net investment in capital assets	(277,076)	(2,597,701)	-837.5%
Restricted	8,286,530 *	9,768,005	17.9%
Unrestricted	(20,729,577)	(18,210,647)	12.2%
<b>TOTAL NET POSITION</b>	<b>\$ (12,720,123) *</b>	<b>\$ (11,040,343)</b>	<b>13.2%</b>

\*As restated for implementation of GASB Statement No. 84, as amended by GASB Statement No. 92.

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

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**Change in Net Position**

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

Total revenues increased 11.3% from the previous year to \$41,505,581. Property taxes and state aid funding accounted for most of the District's revenue, representing 65 cents of each dollar raised. Another 29.8% came from federal and state aid for specific programs, and the remaining 5.2% came from fees charged for services and miscellaneous sources.

The total cost of all programs and services increased 7.9% to \$39,825,801. Revenues exceeded the District's expenses for the year by \$1,679,780. The District's expenses are primarily related to educating and caring for students (79.0%). Administrative activities of the District account for 6.6% of the total costs.

Years Ended June 30	Governmental Activities		Percentage
	2020	2021	Change 2020-21
<b>REVENUES</b>			
<b>Program Revenues</b>			
Charges for services	\$ 2,708,612	\$ 2,424,136	-10.5%
Operating grants and contributions	6,109,396	12,362,101	102.3%
<b>General Revenues and Special Item</b>			
State formula aid	11,243,457	9,654,400	-14.1%
Property taxes	16,503,200	17,313,384	4.9%
Other	736,467	384,300	-47.8%
SPECIAL ITEM: Loss on sale of capital assets	-	(632,740)	N/A
<b>TOTAL REVENUES</b>	<b>37,301,132</b>	<b>41,505,581</b>	<b>11.3%</b>
<b>EXPENSES</b>			
Instruction	21,322,585	24,370,033	14.3%
Instructional-related services	3,167,114	3,100,882	-2.1%
Pupil services	4,042,743	3,997,482	-1.1%
General administration	2,367,929	2,616,614	10.5%
Plant services	3,026,069	3,225,274	6.6%
Ancillary services	420,848	331,163	-21.3%
Community services	9,482	4,016	-57.6%
Other outgo	223,973	219,472	-2.0%
Interest on long-term debt	2,325,939	1,960,865	-15.7%
<b>TOTAL EXPENSES</b>	<b>36,906,682</b>	<b>39,825,801</b>	<b>7.9%</b>
<b>Change in Net Position</b>	<b>\$ 394,450</b>	<b>\$ 1,679,780</b>	<b>325.9%</b>

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

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

**Governmental Funds**

The District's governmental funds reported a combined fund balance of \$22,938,723, an increase of \$4,841,358 from the previous year. Following is a summary of the District's fund balances.

June 30	Fund Balance		Increase (Decrease)
	2020	2021	
General	\$ 12,722,350 *	\$ 16,194,540	\$ 3,472,190
Student Activity Special Revenue	36,342 *	44,056	7,714
Cafeteria Special Revenue	98,179	223,540	125,361
Building	719,815	720,428	613
Capital Facilities	1,699,694	2,214,726	515,032
Special Reserve Capital Projects	2,354	521,753	519,399
Bond Interest and Redemption	2,818,631	3,019,680	201,049
<b>Totals</b>	<b>\$ 18,097,365 *</b>	<b>\$ 22,938,723</b>	<b>\$ 4,841,358</b>

*\* As restated for implementation of GASB Statement No. 84, as amended by GASB Statement No. 92.*

The increase in the General Fund is due primarily to receiving Covid funds and savings in salaries/benefits due to staffing shortage.

The increase in the Cafeteria Special Revenue Fund is due to using Covid funds to maintain staff and savings in food costs.

The increase in the Capital Facilities Fund is due to developer fee collections exceeding of expenditures. The District has no major projects at this time.

The increase in the Special Reserve Capital Projects Fund is due to proceeds from selling the Canyon School property.

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

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

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**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 \$4,266,099. However, actual results for the year reflected a surplus of \$3,472,190. 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 reflect new grants and entitlements.
- Change in accounting from restricted ending fund balance to advances from grantors on most COVID funding.

**CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION**

**Capital Assets**

The District has invested \$38,725,924 in capital assets including land, site improvements, buildings, and equipment. During the year, the District upgraded classrooms and expanded network for distance learning. The District installed fence at Buckeye School of Arts and walkway cover at Central Valley High School. The District sold the Canyon School property and disposed of some obsolete equipment.

June 30	<b>Governmental Activities</b>		<b>Percentage</b>
	<b>2020</b>	<b>2021</b>	<b>Change</b>
			<b>2020-21</b>
Land	\$ 341,760	\$ 341,760	0.0%
Buildings and improvements	72,604,576	70,605,140	-2.8%
Equipment	5,553,960	5,364,700	-3.4%
Accumulated depreciation	(37,124,434)	(37,585,676)	-1.2%
<b>Totals</b>	<b>\$ 41,375,862</b>	<b>\$ 38,725,924</b>	<b>-6.4%</b>

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

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**Long-Term Debt**

At year end, the District had \$78,289,098 in outstanding long-term debt. The change in long-term debt is due primarily to the increase in OPEB liability and bond capitalized interest accretion. The District made normally scheduled payments on its general obligation bonds. The District has no plans to incur additional long-term debt in 2021-22.

June 30	Governmental Activities		Percentage Change 2020-21
	2020	2021	
General obligation bonds	\$ 32,792,511	\$ 31,192,515	-4.9%
Bond issue premiums	1,163,332	1,005,621	-13.6%
Bond capitalized interest	10,737,569	12,025,008	12.0%
Compensated absences	126,726	122,263	-3.5%
Total OPEB liability	1,704,036	2,028,247	19.0%
Net pension liability	32,224,080	31,915,444	-1.0%
<b>Totals</b>	<b>\$ 78,748,254</b>	<b>\$ 78,289,098</b>	<b>-0.6%</b>

**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: 16.15% in 2020-21, 16.92% in 2021-22, and 19.10% in 2022-23; along with projected increases in the percent of employer contributions to the Public Employees' Retirement System: 20.70% in 2020-21, 22.91% in 21-22, and 26.00% in 2022-23. In addition, the District has experienced declining enrollment, which will result in a decrease in the Local Control Funding Formula (LCFF) grant.

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, 2022, with the California School Employees Association bargaining group and through June 30, 2022, with the Gateway Teachers' Association bargaining group. The contracts allow for renegotiation of compensation issues each year. Fiscal year 2021-22 negotiations are settled for all 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.



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

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**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:

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

## **Basic Financial Statements**

# Gateway Unified School District

## STATEMENT OF NET POSITION

June 30, 2021	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 19,606,817
Accounts receivable	519,416
Due from other governments	9,897,426
Inventories	39,567
Prepaid expenses	40,635
Nondepreciated capital assets	341,760
Depreciated capital assets	75,969,840
Accumulated depreciation	(37,585,676)
<b>TOTAL ASSETS</b>	<b>68,829,785</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources for pensions	6,408,611
Deferred outflows of resources for OPEB	821,213
Deferred loss on advance refunding	2,179,091
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>9,408,915</b>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	1,648,812
Due to other governments	1,628,218
Advances from grantors	4,113,963
Long-term obligations:	
Due within one year	2,083,410
Due beyond one year	76,205,688
<b>TOTAL LIABILITIES</b>	<b>85,680,091</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources for pensions	3,598,952
<b>NET POSITION</b>	
Net investment in capital assets	(2,597,701)
Restricted for capital projects	2,935,154
Restricted for debt service	3,019,680
Restricted for educational programs	3,585,142
Restricted for other purposes	228,029
Unrestricted	(18,210,647)
<b>TOTAL NET POSITION</b>	<b>\$ (11,040,343)</b>

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

**Gateway Unified School District**  
STATEMENT OF ACTIVITIES

Year Ended June 30, 2021	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position - Governmental Activities
		Charges for Services	Operating Grants and Contributions	
<b>FUNCTIONS/PROGRAMS</b>				
<b>Primary Government</b>				
Governmental activities:				
Instruction	\$ 24,370,033	\$ 1,752,971	\$ 9,428,788	\$ (13,188,274)
Instruction-related services	3,100,882	396,918	484,796	(2,219,168)
Pupil services	3,997,482	117,509	1,422,333	(2,457,640)
Ancillary services	331,163	14,248	45,068	(271,847)
Community services	4,016	3,024	391	(601)
General administration	2,616,614	127,629	508,606	(1,980,379)
Plant services	3,225,274	11,837	472,119	(2,741,318)
Other outgo	219,472	-	-	(219,472)
Interest on long-term debt	1,960,865	-	-	(1,960,865)
<b>Total Governmental Activities</b>	<b>\$ 39,825,801</b>	<b>\$ 2,424,136</b>	<b>\$ 12,362,101</b>	<b>(25,039,564)</b>
<b>GENERAL REVENUES</b>				
Property taxes - levied for general purposes				14,363,899
Property taxes - levied for debt service				2,537,302
Property taxes - levied for other specific purposes				412,183
Federal and state aid not restricted to specific purposes				9,654,400
Unrestricted investment earnings				70,217
Interagency revenues				125,156
Miscellaneous				188,927
<b>SPECIAL ITEM - Loss on sale of capital assets</b>				<b>(632,740)</b>
<b>TOTAL GENERAL REVENUES AND SPECIAL ITEM</b>				<b>26,719,344</b>
<b>Change in Net Position</b>				<b>1,679,780</b>
<b>Net Position - as Previously Reported</b>				<b>(13,022,094)</b>
Cumulative effect of change in accounting principles				301,971
<b>Net Position - as Restated</b>				<b>(12,720,123)</b>
<b>Net Position - End of Year</b>				<b>\$ (11,040,343)</b>

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

**Gateway Unified School District**  
BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2021	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 12,955,180	\$ 6,651,637	\$ 19,606,817
Accounts receivable	518,319	1,097	519,416
Due from other governments	9,736,245	161,181	9,897,426
Due from other funds	145,960	98,088	244,048
Inventories	-	39,567	39,567
Prepaid expenditures	40,635	-	40,635
<b>TOTAL ASSETS</b>	<b>\$ 23,396,339</b>	<b>\$ 6,951,570</b>	<b>\$ 30,347,909</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable and other current liabilities	\$ 1,361,530	\$ 61,427	\$ 1,422,957
Due to other governments	1,628,218	-	1,628,218
Due to other funds	98,088	145,960	244,048
Advances from grantors	4,113,963	-	4,113,963
<b>Total Liabilities</b>	<b>7,201,799</b>	<b>207,387</b>	<b>7,409,186</b>
<b>Fund Balances</b>			
Nonspendable	52,735	39,567	92,302
Restricted	3,585,142	6,182,863	9,768,005
Assigned	6,287,172	521,753	6,808,925
Unassigned	6,269,491	-	6,269,491
<b>Total Fund Balances</b>	<b>16,194,540</b>	<b>6,744,183</b>	<b>22,938,723</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 23,396,339</b>	<b>\$ 6,951,570</b>	<b>\$ 30,347,909</b>

*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, 2021

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<b>Total Fund Balances - Governmental Funds</b>	\$ 22,938,723
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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	\$ 76,311,600
Accumulated depreciation	(37,585,676)

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<b>Total Capital Assets - Net</b>	38,725,924
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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 unmaturing interest owed at the end of the period was:

(225,855)

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	44,223,144
Net pension liability	31,915,444
Total OPEB liability	2,028,247
Compensated absences	122,263
Deferred loss on debt refunding	(2,179,091)

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<b>Total Long-Term Liabilities</b>	(76,110,007)
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<b>Balance Forward</b>	\$ (14,671,215)
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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, 2021

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<b>Balance Brought Forward</b>	\$ (14,671,215)
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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	6,408,611
Deferred inflows of resources relating to pensions	(3,598,952)

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	821,213
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<b>Total Net Position - Governmental Activities</b>	<b>\$ (11,040,343)</b>
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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, 2021	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 14,363,899	\$ 2,537,302	\$ 16,901,201
Local control funding formula sources	8,925,181	-	8,925,181
Other state revenue	4,307,145	88,656	4,395,801
Federal revenue	6,905,566	862,742	7,768,308
Other local revenue	3,977,959	633,602	4,611,561
<b>Total Revenues</b>	<b>38,479,750</b>	<b>4,122,302</b>	<b>42,602,052</b>
<b>Expenditures</b>			
Current:			
Instruction	22,951,022	-	22,951,022
Instruction-related services	3,029,258	879,481	3,908,739
Pupil services	2,719,488	-	2,719,488
Ancillary services	299,557	31,869	331,426
Community services	4,016	-	4,016
General administration	2,531,660	48,420	2,580,080
Plant services	3,073,592	4,810	3,078,402
Transfers between agencies	219,472	-	219,472
Debt service:			
Principal	-	1,599,996	1,599,996
Interest and other charges	-	725,969	725,969
Capital outlay	159,495	-	159,495
<b>Total Expenditures</b>	<b>34,987,560</b>	<b>3,290,545</b>	<b>38,278,105</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>3,492,190</b>	<b>831,757</b>	<b>4,323,947</b>
<b>Other Financing Sources (Uses)</b>			
Interfund transfers in	-	20,000	20,000
Interfund transfers out	(20,000)	-	(20,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(20,000)</b>	<b>20,000</b>	<b>-</b>
<b>Special Item</b>			
Proceeds from sale of capital assets	-	517,411	517,411
<b>Net Change in Fund Balances</b>	<b>3,472,190</b>	<b>1,369,168</b>	<b>4,841,358</b>
<b>Fund Balances - as Previously Reported</b>	<b>12,456,721</b>	<b>5,338,673</b>	<b>17,795,394</b>
Cumulative effect of change in accounting principles	265,629	36,342	301,971
<b>Fund Balances - as Restated</b>	<b>12,722,350</b>	<b>5,375,015</b>	<b>18,097,365</b>
<b>Fund Balances - End of Year</b>	<b>\$ 16,194,540</b>	<b>\$ 6,744,183</b>	<b>\$ 22,938,723</b>

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, 2021

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 4,841,358
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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	\$ 492,292
Depreciation expense	(1,992,079)

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<b>Net Capital Outlay</b>	(1,499,787)
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Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

1,599,996

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

(1,150,151)

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:

(1,466,043)

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<b>Balance Forward</b>	\$ 2,325,373
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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, 2021

<b>Balance Brought Forward</b>	\$ 2,325,373
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:	4,463
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:	(1,012,988)
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:	131,785
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:	231,147
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 1,679,780</b>

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

**1. SIGNIFICANT ACCOUNTING POLICIES**

Gateway Unified School District (the District) is governed by an elected five-member board. The District operates three elementary schools, one high school, one continuation school, one community day school, and one long-term independent study program in Redding, California. The District is the sponsoring local education agency for one charter school.

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

**Implementation of New Accounting Standards**

**Governmental Accounting Standards Board Statements No. 84 and 92** The District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, as amended by GASB Statement No. 92, *Omnibus 2020*, for the fiscal year ended June 30, 2021. 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 statement has been applied retroactively to all periods presented. Accordingly, the District's financial statements have been presented in accordance with the guidance from this statement as follows:

- The Student Body Fund, reported previously as a fiduciary fund, does not meet the new fiduciary criteria and has been reclassified to the Student Activity Special Revenue Fund, a governmental fund. Fund balances of the governmental funds and net position of the governmental activities, as of July 1, 2020, have been restated by \$36,342.
- The Foundation Private-Purpose Trust Fund, reported previously as a fiduciary fund, does not meet the new fiduciary criteria and has been reclassified to the General Fund. Fund balances of the governmental funds and net position of the governmental activities, as of July 1, 2020, have been restated by \$265,629.
- The Warrant/Pass-Through Fund, reported previously as a fiduciary fund, does not meet the new fiduciary criteria and has been moved to the General Fund, a governmental fund. This action did not affect fund balance of the General Fund and net position of governmental activities as of July 1, 2020.

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

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**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.

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

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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.

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. Student Activity Special Revenue 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*, Section 48930-48938).
2. 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).

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

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**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).

**Major and Nonmajor Funds**

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

Major Governmental Funds:

General Fund

Nonmajor Governmental Funds:

Student Activity Special Revenue Fund

Cafeteria Special Revenue Fund

Building Fund

Capital Facilities Fund

Special Reserve Capital Projects Fund

Bond Interest and Redemption 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.

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

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**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.

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

**Basis of Accounting** In the 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 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.

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

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**Estimates**

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

**Cash, Cash Equivalents, and Investments**

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

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

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Shasta County Treasury (the County) as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and include accrued interest. The pool has deposits and investments with a weighted-average maturity of more than one year. As of June 30, 2021, the fair value of the County pool was 100.34% of the carrying value and is deemed to represent a material difference. Information regarding the amount of dollars invested in derivatives with the County was not available. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net decrease in the fair value of investments during the year ended June 30, 2021, was \$135,302. 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, 2021, was \$65,682.

**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, 2021. 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, 2021. At June 30, 2021, no allowance for doubtful accounts was deemed necessary.



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

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**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.

**Inventories and Prepaid Expenses**

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

**Bond Premiums**

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

**Fixed Assets**

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

**Government-Wide Statements**

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

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

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

### **Fund Financial Statements**

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

### **Advances From Grantors**

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

### **Long-Term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations, fiduciary 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. All long-term debt to be repaid from fiduciary resources is reported as liabilities in the fiduciary fund 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)

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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 which 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)

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**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)

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**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)

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**2. CASH AND INVESTMENTS**

The following is a summary of cash and investments:

June 30, 2021	<b>Maturities</b>	<b>Fair Value</b>
Deposits (1)	\$	50,575
<b>Investments That Are Not Securities (2)</b>		
County treasurer's investment pool	20.5 months average	19,556,242
<b>Total Cash and Investments Per Government-Wide Statement of Net Position</b>		<b>\$ 19,606,817</b>

- (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)

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The District has the following recurring fair value measurements as of June 30, 2021:

- County treasurer's investment pool of \$19,556,242 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 and no more than 10% may be invested in the outstanding commercial paper of any single issuer.

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

No more than 10% 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 and where otherwise noted; 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 40% may be invested in bankers' acceptances and 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; no more than 30% may be invested in medium-term notes; no more than 20% may be invested in mortgage passthrough and related securities; and no more than 30% may be invested in certain unsecured, unsubordinated obligations.



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

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**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following:

June 30, 2021	<b>General Fund</b>	<b>Other Governmental Funds</b>
Interest	\$ 3,410	\$ -
Other	514,909	1,097
<b>Total</b>	<b>\$ 518,319</b>	<b>\$ 1,097</b>

**4. DUE FROM OTHER GOVERNMENTS**

Due from other governments consisted of the following:

June 30, 2021	<b>General Fund</b>	<b>Other Governmental Funds</b>
<b>Due From</b>		
Federal government	\$ 5,462,282	\$ 149,783
State government	3,417,736	11,398
Local governments	856,227	-
<b>Total</b>	<b>\$ 9,736,245</b>	<b>\$ 161,181</b>

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

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**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:

<b>Due From Other Funds</b>	<b>Due to Other Funds</b>		
General	Cafeteria Special Revenue	\$	145,960
Cafeteria Special Revenue	General		4,573
Capital Facilities	General		93,515
<b>Total</b>		<b>\$</b>	<b>244,048</b>

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 repayment of a contribution;

Cafeteria Special Revenue Fund interfund receivable from the General Fund for stipends and cost reimbursement; and

Capital Facilities Fund interfund receivable from the General Fund for cost reimbursement.

**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:

<b>Interfund Transfer Out</b>	<b>Interfund Transfer In</b>		
General	Cafeteria Special Revenue	\$	20,000

Transfers are used for the following:

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

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

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

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

**6. CAPITAL ASSETS**

Capital assets activity is as follows:

Year Ended June 30, 2021	Beginning Balance	Additions	Deductions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Nondepreciated Capital Assets</b>				
Land	\$ 341,760	\$ -	\$ -	\$ 341,760
<b>Depreciated Capital Assets</b>				
Buildings and improvements	72,604,576	492,292	2,491,728	70,605,140
Equipment and vehicles	5,553,960	-	189,260	5,364,700
<b>Total Depreciated Capital Assets</b>	<b>78,158,536</b>	<b>492,292</b>	<b>2,680,988</b>	<b>75,969,840</b>
<b>Totals at Historical Cost</b>	<b>78,500,296</b>	<b>492,292</b>	<b>2,680,988</b>	<b>76,311,600</b>
<b>Less: Accumulated Depreciation</b>				
Buildings and improvements	33,312,343	1,703,558	1,341,577	33,674,324
Equipment and vehicles	3,812,091	288,521	189,260	3,911,352
<b>Total Accumulated Depreciation</b>	<b>37,124,434</b>	<b>1,992,079</b>	<b>1,530,837</b>	<b>37,585,676</b>
<b>Total Depreciated Capital Assets - Net</b>	<b>41,034,102</b>	<b>(1,499,787)</b>	<b>1,150,151</b>	<b>38,384,164</b>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS - NET</b>	<b>\$ 41,375,862</b>	<b>\$ (1,499,787)</b>	<b>\$ 1,150,151</b>	<b>\$ 38,725,924</b>

Depreciation expense was charged to governmental activities as follows:

Year Ended June 30, 2021	
<b>Governmental Activities</b>	
Instruction	\$ 1,670,207
Instruction - related services	18,640
Pupil services	263,157
Ancillary services	2,507
General administration	35,713
Plant services	1,855
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 1,992,079</b>

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

**7. ACCOUNTS PAYABLE**

Accounts payable consisted of the following:

June 30, 2021	General Fund	Other Governmental Funds
Vendors	\$ 668,957	\$ 61,150
Salaries and benefits	690,796	277
Other	1,777	-
<b>Total</b>	<b>\$ 1,361,530</b>	<b>\$ 61,427</b>

**8. DUE TO OTHER GOVERNMENTS**

Due to other governments consisted of the following:

June 30, 2021	General Fund
<b>Due To</b>	
State government	\$ 1,597,931
Local governments	30,287
<b>Total</b>	<b>\$ 1,628,218</b>

**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, 2020	Redeemed Current Year	Outstanding June 30, 2021
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	1,622,171	217,469	1,404,702
2011	2.0-4.0%	2024	7,655,000	4,180,000	725,000	3,455,000
2013	1.13-6.27%	2040	6,300,281	455,509	117,527	337,982
2014	2.0-5.0%	2027	5,360,000	3,545,000	435,000	3,110,000
2017	2.0-5.25%	2042	2,800,000	2,750,000	-	2,750,000
2017	2.0-4.0%	2028	6,378,960	6,313,960	55,000	6,258,960
2020	3.5-4.0%	2028	475,000	475,000	10,000	465,000
2020	2.55-3.59%	2039	8,195,903	8,195,903	40,000	8,155,903
<b>Total</b>			<b>\$ 65,480,830</b>	<b>\$ 32,792,511</b>	<b>\$ 1,599,996</b>	<b>\$ 31,192,515</b>

The amount of interest cost incurred during the year ended June 30, 2021, was \$1,994,644, 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
2022	\$ 1,685,504	\$ 770,125	\$ 2,455,629
2023	1,786,519	755,708	2,542,227
2024	1,904,799	741,661	2,646,460
2025	2,379,361	350,880	2,730,241
2026	1,691,774	1,155,218	2,846,992
2027-2031	6,363,956	9,674,279	16,038,235
2032-2036	5,520,283	13,672,704	19,192,987
2037-2041	7,564,546	10,657,452	18,221,998
2042-2043	2,295,773	4,589,227	6,885,000
<b>Total</b>	<b>\$ 31,192,515</b>	<b>\$ 42,367,254</b>	<b>\$ 73,559,769</b>

**10. LONG-TERM DEBT – 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, 2021, were \$305,381.

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, 2021, were \$2,324,105.

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, 2021, was \$5,220,983.

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, 2021, was zero.

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

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**11. OPERATING LEASE**

The District has entered into an operating lease for equipment with lease terms in excess of one year. The agreement does not contain purchase options and contain a termination clause providing for cancellation after a specified number of days' written notice to lessor. It is unlikely that the District will cancel the agreement prior to the expiration date.

Future minimum lease payments are as follows:

Year Ending June 30	<b>Lease Payments</b>	
2022	\$	115,302
2023		115,302
2024		115,302
2025		115,302
<b>Total</b>	<b>\$</b>	<b>461,208</b>

The District will receive no sublease rental revenues nor pay for any contingent rentals for this equipment. Rent expenditures were \$155,591 for the year ended June 30, 2021.

**12. CHANGES IN LONG-TERM DEBT**

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

Year Ended June 30, 2021	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities</b>					
Compensated absences	\$ 126,726	\$ -	\$ 4,463	\$ 122,263	\$ -
General obligation bonds	32,792,511	-	1,599,996	31,192,515	1,685,504
Bond issue premiums	1,163,332	-	157,711	1,005,621	143,410
Capitalized interest	10,737,569	1,502,443	215,004	12,025,008	254,496
Total OPEB liability	1,704,036	324,211	-	2,028,247	-
Net pension liability	32,224,080	-	308,636	31,915,444	-
<b>Total</b>	<b>\$ 78,748,254</b>	<b>\$ 1,826,654</b>	<b>\$ 2,285,810</b>	<b>\$ 78,289,098</b>	<b>\$ 2,083,410</b>

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

**13. FUND BALANCES COMPONENTS**

Fund balances are composed of the following:

June 30, 2021	General Fund	Other Governmental Funds
<b>Nonspendable</b>		
Reserved for:		
Revolving cash	\$ 12,100	\$ -
Inventories	-	39,567
Prepaid expenditures	40,635	-
<b>Total Nonspendable</b>	<b>\$ 52,735</b>	<b>\$ 39,567</b>
<b>Restricted</b>		
Restricted for:		
Capital projects	\$ -	\$ 2,935,154
Debt service	-	3,019,680
Student activities	-	44,056
Federal and state categoricals	3,585,142	183,973
<b>Total Restricted</b>	<b>\$ 3,585,142</b>	<b>\$ 6,182,863</b>
<b>Assigned</b>		
Assigned for:		
Medi-Cal administrative activities	\$ 897,132	\$ -
Medi-Cal backcasting set aside	70,000	-
Classroom furniture	125,000	-
Textbook adoption	250,000	-
Lottery	752,511	-
Funding losses/future deficit	2,539,897	-
Early Intervention Grant	272,228	-
Equipment replacement	680,994	-
Technology infrastructure	105,842	-
Student sports: fundraising	23,423	-
Student programs: fundraising	33,108	-
Deferred maintenance	104,289	-
OPEB obligation	432,748	-
Capital projects	-	521,753
<b>Total Assigned</b>	<b>\$ 6,287,172</b>	<b>\$ 521,753</b>
<b>Unassigned</b>		
Designated for economic uncertainties	\$ 6,269,491	\$ -

**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  
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**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, 2021	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS State Teachers' Retirement Plan	\$ 19,586,487	\$ 4,244,288	\$ 1,966,363	\$ 2,212,080
CalPERS School Employer Pool	12,328,957	2,164,323	1,632,589	1,886,864
<b>Total</b>	<b>\$ 31,915,444</b>	<b>\$ 6,408,611</b>	<b>\$ 3,598,952</b>	<b>\$ 4,098,944</b>

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](http://www.calstrs.com).

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

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**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 2020-21 was 16.15% of annual payroll. The District's contributions to CalSTRS for the fiscal year ended June 30, 2021, were \$1,834,973.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** At June 30, 2021, the District reported a net pension liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District, were as follows:

June 30, 2021

District's proportionate share of the net pension liability	\$ 19,586,487
State's proportionate share of the net pension liability associated with the District	10,096,755
<b>Total</b>	<b>\$ 29,683,242</b>

The District's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, 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, 2021, the District's proportion was 0.020%.

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

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, 2021, the District recognized pension expense of \$315,690 and revenue of \$315,690 for support provided by the state. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 34,561	\$ 552,021
Net difference between projected and actual earnings on pension plan investments	465,141	-
Change in assumptions	1,909,613	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,414,342
District contributions subsequent to the measurement date	1,834,973	-
<b>Total</b>	<b>\$ 4,244,288</b>	<b>\$ 1,966,363</b>

The \$1,834,973 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, 2022. 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	
2022	\$ (174,261)
2023	305,897
2024	604,230
2025	(26,285)
2026	(268,535)
Thereafter	1,906
<b>Total</b>	<b>\$ 442,952</b>

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

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**Actuarial Assumptions** The total pension liability in the June 30, 2019, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

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Valuation date	June 30, 2019
Measurement date	June 30, 2020
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

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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 the members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table issued by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2018.

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

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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 investment staff and investment consultants as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent 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, 2020, are summarized in the following table:

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Public equity	42%	4.80%
Private equity	13%	6.30%
Real estate	15%	3.60%
Inflation sensitive	6%	3.30%
Fixed income	12%	1.30%
Risk mitigating strategies	10%	1.80%
Cash/liquidity	2%	-0.40%
<b>Total</b>	<b>100%</b>	

**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, 2021	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 29,592,453	\$ 19,586,487	\$ 11,325,152

**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](http://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 2020-21 fiscal year was 20.70%. The District's contributions to CalPERS for the fiscal year ended June 30, 2021, were \$1,250,984.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** At June 30, 2021, the District reported a net pension liability of \$12,328,957 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, 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, 2021, the District's proportion was 0.0402%.

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

For the year ended June 30, 2021, the District recognized pension expense of \$1,886,864. *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. For the year ended June 30, 2021, the District recognized pension expense of \$363,242 and revenue of \$363,242 for support provided by the state. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 611,478	\$ -
Net difference between projected and actual earnings on pension plan investments	256,650	-
Change in assumptions	45,211	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,632,589
District contributions subsequent to the measurement date	1,250,984	-
<b>Total</b>	<b>\$ 2,164,323</b>	<b>\$ 1,632,589</b>

The \$1,250,984 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	
2022	\$ (315,084)
2023	(296,480)
2024	(192,157)
2025	84,471
<b>Total</b>	<b>\$ (719,250)</b>

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

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**Actuarial Assumptions** The total pension liability in the June 30, 2019, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
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, 2019, 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%
<b>Total</b>	<b>100%</b>		

**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, 2021	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 17,725,124	\$ 12,328,957	\$ 7,850,409

**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 2020-21, 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:

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Inactive plan members or beneficiaries currently receiving benefit payments	41
Active plan members	318
<b>Total</b>	<b>359</b>

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**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, 2021, the District contributed \$465,469, representing premium payments on behalf of retired employees.

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

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**Total OPEB Liability**

The District's total OPEB liability was measured as of June 30, 2021, using an annual actuarial valuation as of July 1, 2020, rolled forward to June 30, 2021, using standard update procedures. The June 30, 2021, 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:

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Valuation date	July 1, 2020
Measurement date	June 30, 2021
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation	2.75%
Salary increases	3.00%
Discount rate	1.92%
Healthcare cost trend rate - pre-65	6.00% <sup>(1)</sup>

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*(1) For fiscal year 2020, decreasing 0.10% each year to an ultimate rate of 5.00%.*

Mortality is based on the CalSTRS Experience Analysis (2015-2018) and the CalPERS Experience Study (1997-2015).

**Discount Rate**

The discount rate used to measure the total OPEB liability was 1.92%. 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, 2021	
<b>Total OPEB Liability</b>	
Service cost	\$ 141,496
Interest	52,831
Difference between expected and actual experience	501,485
Changes of assumptions	93,868
Benefit payments - including refunds of employee contributions	(465,469)
<b>Net Change in Total OPEB Liability</b>	<b>324,211</b>
<b>Total OPEB Liability - Beginning of Year</b>	<b>1,704,036</b>
<b>Total OPEB Liability - End of Year</b>	<b>\$ 2,028,247</b>
Covered-employee payroll	\$ 19,308,343
District's total OPEB liability as a percentage of covered-employee payroll	10.50%

**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 1.92%, as well as the District's total OPEB liability if it was calculated using a discount rate that is one percentage point lower (0.92%) or one percentage point higher (2.92%) than the current rate:

June 30, 2021	1% Decrease (0.92%)	Current Discount Rate (1.92%)	1% Increase (2.92%)
Total OPEB liability	\$ 2,131,501	\$ 2,028,247	\$ 1,928,862

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

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

June 30, 2021	1% Decrease (5.00%)	Health Cost Trend Rates (6.00%)	1% Increase (7.00%)
Total OPEB liability	\$ 1,970,648	\$ 2,028,247	\$ 2,091,882

**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, 2021, the District recognized OPEB expense of \$333,684. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 616,980	\$ -
Changes in assumptions	204,233	-
<b>Total</b>	<b>\$ 821,213</b>	<b>\$ -</b>

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	
2022	\$ 139,357
2023	139,357
2024	139,357
2025	139,357
2026	117,178
Thereafter	146,607
<b>Total</b>	<b>\$ 821,213</b>

**20. SUBSEQUENT EVENT**

On August 2, 2021, the District refunded the 2011 general obligation refunding bonds totaling \$2,680,000 with proceeds from the 2021 general obligation refunding bonds. Resources totaling \$2,680,277 were placed in a redemption fund to be held until the refunded bonds are redeemed. The 2021 general obligation refunding bonds were issued in the amount of \$2,741,277, with interest rate at 0.87%. The bonds mature through August 1, 2024, in varying amounts between \$437,000 to \$477,917.

**21. FUTURE GASB IMPLEMENTATION**

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, 2021	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 12,977,560	\$ 14,528,231	\$ 14,363,899	\$ (164,332)
Local control funding formula sources	8,504,552	8,749,094	8,925,181	176,087
Other state revenue	2,177,281	5,063,083	4,307,145	(755,938)
Federal revenue	3,825,440	9,991,179	6,905,566	(3,085,613)
Other local revenue	3,786,373	5,241,152	3,977,959	(1,263,193)
<b>Total Revenues</b>	<b>31,271,206</b>	<b>43,572,739</b>	<b>38,479,750</b>	<b>(5,092,989)</b>
<b>Expenditures</b>				
Certificated salaries	11,611,204	12,512,046	12,409,512	102,534
Classified salaries	6,196,598	6,513,736	6,414,217	99,519
Employee benefits	7,862,439	7,917,370	7,807,715	109,655
Books and supplies	1,759,362	3,761,172	3,299,177	461,995
Services and other operating	5,829,350	6,453,791	4,387,819	2,065,972
Capital outlay	-	1,743,581	492,293	1,251,288
Other outgo	136,188	167,345	176,827	(9,482)
<b>Total Expenditures</b>	<b>33,395,141</b>	<b>39,069,041</b>	<b>34,987,560</b>	<b>4,081,481</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(2,123,935)</b>	<b>4,503,698</b>	<b>3,492,190</b>	<b>(1,011,508)</b>
<b>Other Financing Sources (Uses)</b>				
Interfund transfers out	(167,735)	(237,599)	(20,000)	217,599
<b>Net Change in Fund Balances</b>	<b>(2,291,670)</b>	<b>4,266,099</b>	<b>3,472,190</b>	<b>(793,909)</b>
<b>Fund Balances - as Previously Reported</b>	<b>12,456,721</b>	<b>12,456,721</b>	<b>12,456,721</b>	<b>-</b>
Cumulative effect of change in accounting principles	-	-	265,629	265,629
<b>Fund Balances - as Restated</b>	<b>12,456,721</b>	<b>12,456,721</b>	<b>12,722,350</b>	<b>265,629</b>
<b>Fund Balances - End of Year</b>	<b>\$ 10,165,051</b>	<b>\$ 16,722,820</b>	<b>\$ 16,194,540</b>	<b>\$ (528,280)</b>

See the accompanying notes to this budgetary comparison schedule.



**Gateway Unified School District**  
NOTES TO THE BUDGETARY COMPARISON SCHEDULE

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**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**

Expenditures exceeded appropriations by the following amounts:

<u>June 30, 2021</u>	<u>General Fund</u>
Other outgo	\$ 9,482

These excess expenditures were offset by unexpended appropriations in other categories.

## Gateway Unified School District

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

Years Ended June 30	2021	2020	2019	2018
<b>Total OPEB Liability</b>				
Service cost	\$ 141,496	\$ 110,518	\$ 103,899	\$ 92,019
Interest	52,831	58,025	70,427	61,842
Difference between expected and actual experience	501,485	-	295,695	-
Changes of assumptions	93,868	63,284	125,678	-
Benefit payments - including refunds of employee contributions	(465,469)	(538,041)	(305,303)	(282,168)
<b>Net Change In Total OPEB Liability</b>	324,211	(306,214)	290,396	(128,307)
<b>Total OPEB Liability - Beginning of Year</b>	1,704,036	2,010,250	1,719,854	1,848,161
<b>Total OPEB Liability - End of Year</b>	2,028,247	1,704,036	2,010,250	1,719,854
Covered-employee payroll	\$ 19,308,343	\$ 17,367,873	\$ 18,393,571	\$ 18,315,799
District's total OPEB liability as a percentage of covered-employee payroll	10.50%	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	2021		2020		2019		2018	
Contractually required contribution	\$	465,469	\$	538,041	\$	305,303	\$	282,168
Contributions in relation to the contractually required contribution		(465,469)		(538,041)		(305,303)		(282,168)
<b>Contribution Deficiency (Excess)</b>	\$	-	\$	-	\$	-	\$	-
Covered-employee payroll	\$	19,308,343	\$	17,367,873	\$	18,393,571	\$	18,315,799
Contributions as a percentage of covered-employee payroll		2.41%		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	2021	2020	2019
District's proportion of the net pension liability (asset)	0.020%	0.021%	0.021%
District's proportionate share of the net pension liability (asset)	\$ 19,586,487	\$ 18,966,360	\$ 19,300,470
State's proportionate share of the net pension liability (asset) associated with the District	10,096,755	10,347,499	11,050,476
<b>Total</b>	<b>\$ 29,683,242</b>	<b>\$ 29,313,859</b>	<b>\$ 30,350,946</b>
District's covered-employee payroll	\$ 10,874,649	\$ 11,018,139	\$ 11,604,782
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	180.11%	172.14%	166.31%
Plan fiduciary net position as a percentage of the total pension liability	71.80%	72.60%	71.00%

Years Ended June 30	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.022%	0.022%	0.023%	0.023%
District's proportionate share of the net pension liability (asset)	\$ 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	12,036,383	10,131,196	8,189,582	8,116,042
<b>Total</b>	<b>\$ 32,381,983</b>	<b>\$ 27,925,016</b>	<b>\$ 23,674,102</b>	<b>\$ 21,556,552</b>
District's covered-employee payroll	\$ 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	174.34%	162.29%	146.75%	129.01%
Plan fiduciary net position as a percentage of the total pension liability	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	2021		2020		2019	
Contractually required contribution	\$	1,834,973	\$	1,859,565	\$	1,793,753
Contributions in relation to the contractually required contribution		(1,834,973)		(1,859,565)		(1,793,753)
<b>Contribution Deficiency (Excess)</b>	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	10,874,649	\$	11,018,139	\$	11,604,782
Contributions as a percentage of covered-employee payroll		16.87%		16.88%		15.46%

Years Ended June 30	2018		2017		2016		2015	
Contractually required contribution	\$	1,674,570	\$	1,468,109	\$	1,176,425	\$	936,960
Contributions in relation to the contractually required contribution		(1,674,570)		(1,468,109)		(1,176,425)		(936,960)
<b>Contribution Deficiency (Excess)</b>	\$	-	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	11,670,183	\$	10,963,886	\$	10,551,351	\$	10,418,339
Contributions as a percentage of covered-employee payroll		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		2021	2020	2019
District's proportion of the net pension liability (asset)		0.0402%	0.0455%	0.0483%
District's proportionate share of the net pension liability (asset)	\$	12,328,957	\$ 13,257,720	\$ 12,878,301
District's covered-employee payroll	\$	5,953,334	\$ 6,440,726	\$ 6,365,392
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		207.09%	205.84%	202.32%
Plan fiduciary net position as a percentage of the total pension liability		70.00%	70.00%	70.80%

Years Ended June 30		2018	2017	2016	2015
District's proportion of the net pension liability (asset)		0.0494%	0.0464%	0.0467%	0.0464%
District's proportionate share of the net pension liability (asset)	\$	11,800,246	\$ 9,164,029	\$ 6,885,088	\$ 5,195,807
District's covered-employee payroll	\$	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		187.45%	164.45%	133.20%	106.51%
Plan fiduciary net position as a percentage of the total pension liability		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	2021		2020		2019	
Contractually required contribution	\$	1,250,984	\$	1,174,057	\$	1,163,324
Contributions in relation to the contractually required contribution		(1,250,984)		(1,174,057)		(1,163,324)
<b>Contribution Deficiency (Excess)</b>	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	5,953,334	\$	6,440,726	\$	6,365,392
Contributions as a percentage of covered-employee payroll		21.01%		18.23%		18.28%

Years Ended June 30	2018		2017		2016		2015	
Contractually required contribution	\$	988,609	\$	874,283	\$	660,164	\$	608,431
Contributions in relation to the contractually required contribution		(988,609)		(874,283)		(660,164)		(608,431)
<b>Contribution Deficiency (Excess)</b>	\$	-	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	6,295,240	\$	5,572,415	\$	5,168,898	\$	4,878,133
Contributions as a percentage of covered-employee payroll		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

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### 1. TOTAL OPEB LIABILITY

#### Changes in Benefit Terms

There were no significant changes in benefit terms during the measurement period ended June 30, 2021.

#### Changes in Assumptions

For the measurement period ended June 30, 2021, the long-term expected rate of return was changed from 2.45% to 1.92% 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, 2021.

### 2. PENSION – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

#### Changes in Benefit Terms

There were no significant changes of benefit terms during the measurement period ended June 30, 2020.

#### Changes in Assumptions

On January 31, 2020, the CalSTRS board adopted new actuarial assumptions based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2018. These assumptions were reflected in the valuation dated June 30, 2019.

### 3. PENSION – CALIFORNIA STATE PUBLIC EMPLOYEES' RETIREMENT SYSTEM

#### Changes in Benefit Terms

There were no significant changes of benefit terms during the measurement period ended June 30, 2020.

#### Changes in Assumptions

There were no significant changes of assumptions during the measurement period ended June 30, 2020.



**OTHER SUPPLEMENTARY INFORMATION SECTION**

# Gateway Unified School District

## LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE

June 30, 2021

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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

<b>Name</b>	<b>Office</b>	<b>Term Expires</b>
Phil Lewis	President	2024
Dale Wallace	Vice President	2022
Diane Corbell	Member	2022
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, 2021

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

	<b>Charter Number</b>
Rocky Point Charter School	#0849

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*See the accompanying note to the other supplementary information.*

# Gateway Unified School District

## SCHEDULE OF INSTRUCTIONAL TIME

Year Ended June 30, 2021

	Required Instructional Days	Actual Instructional Days Offered	Approved J-13A Credited Days*	Traditional Calendar Days	Multitrack Calendar Days	Status
Kindergarten	180	180	-	180	N/A	Complied
Grade 1	180	180	-	180	N/A	Complied
Grade 2	180	180	-	180	N/A	Complied
Grade 3	180	180	-	180	N/A	Complied
Grade 4	180	180	-	180	N/A	Complied
Grade 5	180	180	-	180	N/A	Complied
Grade 6	180	180	-	180	N/A	Complied
Grade 7	180	180	-	180	N/A	Complied
Grade 8	180	180	-	180	N/A	Complied
Grade 9	180	180	-	180	N/A	Complied
Grade 10	180	180	-	180	N/A	Complied
Grade 11	180	180	-	180	N/A	Complied
Grade 12	180	180	-	180	N/A	Complied

*\*The District did not apply for any Form J-13A emergency closure days.*

*See the accompanying note to the other supplementary information.*

**Gateway Unified School District**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**

Years Ended June 30	(Budget) 2022	2021	2020	2019
<b>General Fund</b>				
Revenues and other financial sources	\$ 41,713,670	\$ 38,479,750	\$ 34,714,267 *	\$ 35,316,865 *
Expenditures	40,743,429	34,987,560	31,708,857 *	34,187,430 *
Other uses and transfers out	228,031	20,000	166,127	115,000
<b>Total Outgo</b>	<b>40,971,460</b>	<b>35,007,560</b>	<b>31,874,984 *</b>	<b>34,302,430 *</b>
<b>Change in Fund Balance</b>	<b>742,210</b>	<b>3,472,190</b>	<b>2,839,283 *</b>	<b>1,014,435 *</b>
<b>Ending Fund Balance</b>	<b>\$ 16,936,750</b>	<b>\$ 16,194,540</b>	<b>\$ 12,722,350 *</b>	<b>\$ 9,883,067 *</b>
Available reserves	\$ 5,903,067	\$ 6,269,491	\$ 6,125,788	\$ 4,550,941
Designated for economic uncertainties	\$ 5,903,067	\$ 6,269,491	\$ 6,125,788	\$ 4,550,941
Undesignated fund balance	\$ -	\$ -	\$ -	\$ -
Available reserves as a percentage of				
total outgo	14%	18%	19%	13%
Total long-term debt	\$ 77,828,273	\$ 78,289,098	\$ 78,748,254	\$ 77,766,238
Average daily attendance at P-2	1,991	2,077 **	2,077	2,117

\*As restated for implementation of GASB Statement No. 84, as amended by GASB Statement No. 92.

\*\*Pursuant to California Education Code, Section 43502, the District was funded based on 2019-20 ADA.

The General Fund balance has increased by \$6,311,473 over the past two years. The fiscal year 2021-22 budget projects an increase of \$742,210 (4.6%). 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 not incurred an operating deficit in any of the past three years and anticipates incurring an operating surplus during the 2021-22 fiscal year. Total long-term debt has increased by \$522,860 over the past two years.

Average daily attendance has decreased by 40 over the past two years. The District anticipates average daily attendance to decline by 86 during fiscal year 2021-22.

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, 2021

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

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*See the accompanying note to the other supplementary information.*

**Gateway Unified School District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2021

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>FEDERAL PROGRAMS</b>			
<b>U.S. Department of Education</b>			
<b>Passed Through California Department of Education</b>			
<b>Special Education Cluster</b>			
Special Education - IDEA Basic Local Assistance	84.027	13379	\$ 628,953
Special Education - IDEA Preschool	84.173	13430	144,103
<b>Total Special Education Cluster</b>			<b>773,056</b>
<b>ESEA - Title I, Part A Grants</b>			
ESEA - Title I, Part A, Basic Grants	84.010A	14329	1,095,416
ESEA - School Improvement Funding for LEAs	84.010A	15438	591,933
<b>Total ESEA - Title I, Part A Grants</b>			<b>1,687,349</b>
<b>Education Stabilization Fund</b>			
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	999,697
COVID-19 - Elementary and Secondary School Emergency Relief III (ESSER) Fund	84.425D	15547	335,136
COVID-19 - Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	235,986
<b>Total Education Stabilization Fund</b>			<b>1,570,819</b>
Vocational Programs - Vocational and Applied Technical Secondary IC, Section 131	84.048	14894	32,749
ESEA - Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	161,009
ESEA - Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	105,521
<b>Direct Programs</b>			
Indian Education - Grants to Local Educational Agencies	84.060		46,203
<b>Total U.S. Department of Education</b>			<b>4,376,706</b>
<b>Subtotal Forward</b>			<b>\$ 4,376,706</b>

*See the accompanying note to the other supplementary information.*

**Gateway Unified School District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2021  
(Continued)

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>FEDERAL PROGRAMS</b>			
<b>Subtotal Brought Forward</b>			\$ 4,376,706
<b>U.S. Department of Treasury</b>			
<b>Passed Through California Department of Education</b>			
COVID-19 - Coronavirus Relief Fund (CRF):			
Learning Loss Mitigation	21.019	25516	2,228,243
<b>Passed Through County of Shasta</b>			
COVID-19 - Coronavirus Relief Fund (CRF):			
Learning Loss Mitigation	21.019		27,737
<b>Total U.S. Department of Treasury</b>			<b>2,255,980</b>
<b>U.S. Department of Agriculture</b>			
<b>Passed Through California Department of Education</b>			
<b>Child Nutrition Cluster</b>			
School Breakfast	10.553	13390	168,648
National School Lunch	10.555	13391	636,069
<b>Nonmonetary Assistance</b>			
Food Donation	10.555		58,025
<b>Total Child Nutrition Cluster</b>			<b>862,742</b>
<b>Passed Through Shasta County Office of Education</b>			
Schools and Roads - Grants to Counties	10.666	10044	88,876
<b>Total U.S. Department of Agriculture</b>			<b>951,618</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 7,584,304</b>

*See the accompanying note to the other supplementary information.*



# Gateway Unified School District

## NOTE TO THE OTHER SUPPLEMENTARY INFORMATION

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### **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 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 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 43501, 43502, 46208, and 43504.

#### **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, 2021. 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, 2021; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated January 27, 2022.

***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 2021-001, 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***

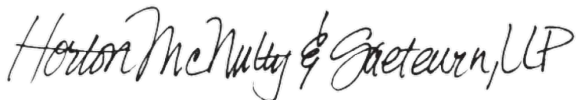
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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



January 27, 2022  
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, 2021. 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, 2021.

**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.

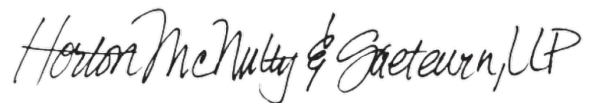
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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



January 27, 2022  
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 *2020-21 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, 2021. 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 *2020-21 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 *2020-21 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, 2021	Procedures Performed
Attendance and distance learning	Yes
Teacher certification and misassignments	Yes
Kindergarten continuance	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
K-3 grade span adjustment	Yes
Apprenticeship: Related and supplemental instruction	No
Comprehensive school safety plan	Yes
District of choice	No
California Clean Energy Jobs Act	Yes
Proper expenditure of education protection account funds	Yes
Unduplicated local control funding formula pupil counts	Yes
Charter schools:	
Independent study-course based	No
Attendance	No
Mode of instruction	No
Nonclassroom-based instruction/independent study	No
Determination of funding for nonclassroom-based instruction	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.

Since the District did not participate in the following programs during 2020-21, all steps related to them were not performed:

- Early retirement incentive
- Apprenticeship: Related and supplemental instruction

## **INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

(Continued)

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:

- Independent study-course based
- Attendance
- Mode of instruction
- Nonclassroom-based instruction/independent study
- Determination of funding for nonclassroom-based instruction
- Charter school facility grant program

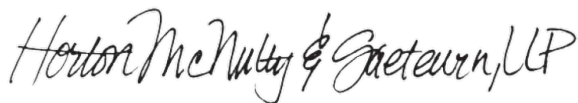
### ***Opinion on State Compliance***

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, 2021.

### ***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 *2020-21 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 items 2021-002, 2021-003, and 2021-004. 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.



January 27, 2022  
Chico, California

## **FINDINGS AND QUESTIONED COSTS SECTION**

**Gateway Unified School District**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2021

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**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:	
AL No. 21.019 COVID-19 – Coronavirus Relief Fund	
AL No. 84.425 COVID-19 – Education Stabilization Fund	
Threshold for distinguishing types A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**STATE AWARDS**

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

**SECTION II FINDINGS**  
**FINANCIAL STATEMENTS AUDIT**

**INTERNAL CONTROL (Student Body Accounts)**  
30000 (2021-001)

**Significant Deficiency**

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

1. For two of 15 deposits tested, fundraisers occurred over a period of time with no detail of when cash was received. Therefore, timeliness of the deposit could not be determined.
2. For one of 15 deposits tested, cash was not counted at the close of the event. Cash was collected and held by a staff member over a period of time and counted just before the deposit date with no specific detail of the amount and date cash was received.
3. For seven of 15 disbursements tested, pre-approval did not occur. They were approved after purchases were made.

This finding relates to item 2020-001 that was reported in the previous year and is listed in the Summary Schedule of Prior Audit Findings.

**Criteria** Internal control procedures should be implemented to ensure that:

1. Cash received from single fundraising events should be counted at the close of the event by two authorized individuals. If a fundraising event requires cash to be collected over a period of time, proof of the receipt date and amount is maintained (i.e. by keeping a cash log or by issuing pre-numbered receipts) to ensure timely deposits are made intact.
2. Purchases made with student body funds are only made after they have been approved by the advisor, student council representative, and District official.

**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 2021-22 to comply with the recommendation.

**Gateway Unified School District**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2021  
(Continued)

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**SECTION III FINDINGS**  
**FEDERAL AWARDS AUDIT**

None.

## Gateway Unified School District

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2021

(Continued)

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#### SECTION IV FINDINGS

##### STATE AWARDS AUDIT

#### SCHOOL ACCOUNTABILITY REPORT CARD (Central Valley High School)

72000 (2021-002)

##### State Compliance

**Condition** The information on safety, cleanliness, and adequacy of school facilities, contained in the School Accountability Report Card (SARC) for Central Valley High School was inconsistent with the school facility inspection tool, including the date of the most recent inspection, and the reporting of the overall rating as “exemplary” rather than “good”. In addition, although information on the sufficiency of instructional materials was correctly reported as sufficient, the date of the most recent evaluation was not accurate.

**Criteria** Pursuant to *California Education Code*, Section 33126(b), the SARC should include information on safety, cleanliness, and adequacy of school facilities, consistent with the information collected in the school facility inspection tool pursuant to *California Education Code*, Section 17002(d). Information on the availability of sufficient textbooks and other instructional materials should be consistent with the governing board’s determination of sufficiency.

**Effect** The District is not in compliance with the requirements of *California Education Code*, Section 33126(b) and 17002(d).

**Cause** An oversight during review of the SARC resulted in the discrepancies.

**Recommendation** We recommend that the District review the SARC to verify the information is complete and accurate prior to finalizing the document.

**Response** The District’s administration will adopt procedures during the 2021-22 fiscal year to comply with the recommendation.

**ATTENDANCE AND DISTANCE LEARNING**  
10000 (2021-003)

**State Compliance**

**Condition** Our testing of a sample of distance learning records pursuant to Section A, Attendance and Distance Learning, of the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, identified noncompliance with distance learning requirements as follows:

**Shasta Lake School**

1. For two of 40 students selected for testing, distance learning documentation provided did not indicate synchronous and asynchronous components for a total of three schooldays.

**Central Valley High School**

2. For nineteen of forty students selected for testing, we identified at least one exception as follows:
  - a. At least one of the student's period teachers did not document the student's participation. Most exceptions identified related to Wednesdays. This exception related to a total of 15 schooldays tested, 12 of which were Wednesdays.
  - b. At least one of the student's period teachers' certified Daily Participation Records did not agree to the participation recorded in the student information system, Aeries. This exception related to a total of 11 schooldays tested.
  - c. One of the student's period teachers did not provide documentation of assignments, synchronous/asynchronous components, and how participation was verified. This exception related to a total of seven schooldays.

**Criteria** *California Education Code*, Section 43504(d)(1) requires LEAs to document daily participation for each pupil on each schoolday, in whole or in part, for which distance learning is provided. A pupil who does not participate in distance learning on a schoolday shall be documented as absent for that schoolday. *California Education Code*, Section 43504(e) requires LEAs to ensure that a weekly engagement record is completed for each pupil, documenting synchronous and asynchronous instruction for each whole or part day of distance learning, verifying daily participation, and tracking assignments.



## Gateway Unified School District

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2021

(Continued)

**Effect** The District was not in compliance with the provisions of *California Education Code*, Section 43504(d) and 43504(e). The penalty calculated pursuant to *California Education Code*, Section 43504(i)(2), is \$2,336. The District is required to return principal apportionment funding totaling \$2,336, to the California Department of Education. The calculation is displayed below.

Year Ended June 30, 2021	Grades 4-6	Grades 7-8	Grades 9-12	Totals
Days out of compliance	1	2	33	36
Number of days required to be offered	180	180	180	
Derived value of ADA by grade span	\$ 9,671.26	\$ 9,958.25	\$ 11,841.04	
<b>Distance Learning Penalty</b>	\$ 54	\$ 111	\$ 2,171	\$ 2,336

**Cause** Due to the swift implementation of new requirements, clerical errors occurred. In addition, Wednesdays at Central Valley High School were mostly asynchronous with a synchronous Zoom check-in during one period. Although teachers assigned work, there was some confusion among teachers in tracking participation on days where no live interaction was provided.

**Recommendation** We recommend that the District return funding of \$2,336 to the California Department of Education.

**Response** The District's will return funding of \$2,336 to the California Department of Education.

## Gateway Unified School District

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2021

(Continued)

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#### INSTRUCTIONAL MATERIALS

70000 (2021-004)

##### State Compliance

**Condition** The District did not make a written determination of the sufficiency of instructional materials as part of the public hearing. The public hearing was held September 16, 2020, and the board resolution of the written determination of sufficiency was adopted on October 7, 2020.

**Criteria** Pursuant to *California Education Code*, Section 60119, as part of the public hearing that shall take place on or before the end of the eighth week from the first day pupils attend school for that year, the governing board of a school district shall make a written determination, through a resolution, as to whether each pupil in the district has sufficient textbooks or instructional materials that are aligned to content standards adopted by the state board.

**Effect** The District is not in compliance with the requirements established by *California Education Code*, Section 60119.

**Cause** A question during the public hearing led to a delay in approving the resolution, however, a second public hearing was not held during the meeting when the resolution was ultimately approved.

**Recommendation** We recommend that the District adopt procedures to comply with the provisions of *California Education Code*, Section 60119.

**Response** The District's administration will adopt procedures during the 2021-22 fiscal year to comply with the recommendation.

**Gateway Unified School District**

CORRECTIVE ACTION PLAN

June 30, 2021

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

**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 2018-19 Schedule of Findings and Questioned Costs.

## Gateway Unified School District

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2021

(Continued)

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**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.

**Current Status** See current-year finding in the schedule of findings and questioned costs (item 2021-001).

## Gateway Unified School District

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2021

(Continued)

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#### 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.

**Current Status** Fully implemented.