

# Gateway Unified School District

County of Shasta  
Redding, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2022



# Gateway Unified School District

## TABLE OF CONTENTS

June 30, 2022

---

	<b><u>Page Number</u></b>
Independent Auditors' Report	1
 <b>FINANCIAL SECTION</b>	
 <b>Required Supplementary Information</b>	
Management's Discussion and Analysis	7
 <b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Balance Sheet – Governmental Funds	19
Reconciliation of Governmental Fund Balances to Government-Wide Net Position	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
Reconciliation of Net Change in Fund Balances to Change in Net Position	23
Notes to the Financial Statements	25
 <b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	60
Notes to the Budgetary Comparison Schedule	61
Schedule of Changes in District's Total OPEB Liability and Related Ratios	62
Schedule of District's Contributions – OPEB	63
Schedule of District's Proportionate Share of the Net Pension Liability – California State Teachers' Retirement System	64
Schedule of District's Contributions – California State Teachers' Retirement System	65
Schedule of District's Proportionate Share of the Net Pension Liability – California Public Employees' Retirement System	66
Schedule of District's Contributions – California Public Employees' Retirement System	67
Notes to the Required Supplementary Information	68
 <b>OTHER SUPPLEMENTARY INFORMATION SECTION</b>	
Local Educational Agency Organization Structure	70
Schedule of Charter Schools	71
Schedule of Average Daily Attendance	72
Schedule of Instructional Time	73
Schedule of Financial Trends and Analysis	74
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	75
Schedule of Expenditures of Federal Awards	76
Note to the Other Supplementary Information	78

---

# Gateway Unified School District

## TABLE OF CONTENTS

June 30, 2022

(Continued)

---

**Page  
Number**

### **OTHER REPORTS SECTION**

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	80
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	82
Independent Auditors' Report on State Compliance and on Internal Control Over State Compliance	85

### **FINDINGS AND QUESTIONED COSTS SECTION**

Schedule of Findings and Questioned Costs	92
Corrective Action Plan	99
Summary Schedule of Prior Audit Findings	100

---

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

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, 2022; and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, 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.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter—Effect of Adopting New Accounting Standard*

As discussed in note 1 to the basic financial statements, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the fiscal year ended June 30, 2022. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

### ***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 is the responsibility of management and, 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.

### ***Supplementary 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 70 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* (the Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 72 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.

## INDEPENDENT AUDITORS' REPORT

(Continued)

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 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.



December 15, 2022

Chico, California

## **FINANCIAL SECTION**



## **Required Supplementary Information**

# Gateway Unified School District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### INTRODUCTION

An overview of the Gateway Unified School District's (the District) financial activities for the fiscal year ended June 30, 2022, 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) Statement No. 87, *Leases*, as of July 1, 2021. Therefore, certain accounts fluctuate significantly between fiscal years 2020-21 and 2021-22 due to the standard being applied only from the date of implementation forward.

### FINANCIAL HIGHLIGHTS

Overall revenues were \$43,668,363. Revenues exceeded expenses by \$6,275,090.

Total net position in governmental activities was negative \$4,765,253, an increase of 56.8% from the previous year. The General Fund reported a total fund balance of \$20,678,753.

Enrollment in the District increased by 4.0%.

The District's long-term debt decreased from \$78,289,098 at June 30, 2021, to \$63,071,889 at June 30, 2022. This represents a 19.4% decrease in long-term debt overall.

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

---

**USING THIS ANNUAL REPORT**

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

- The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The District maintains governmental funds and fiduciary funds as follows:
  - *Governmental Funds*: Statements that provide information on how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - *Fiduciary Funds*: Statements that provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong. The District does not have any of this type of funds at this time.

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

**Government-Wide Statements**

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

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

# Gateway Unified School District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

---

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

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

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

### Fund Financial Statements

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

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

The District has two types of funds:

### Governmental Funds

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

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

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

### Fiduciary Funds

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

**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, 2022, was a negative \$4,765,253. Of this amount, a negative \$11,609,300 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 2021-22
	2021	2022	
<b>ASSETS</b>			
Cash and investments	\$ 19,606,817	\$ 25,207,795	28.6%
Receivables	10,416,842	6,714,401	-35.5%
Other assets	80,202	300,031	274.1%
Capital assets - net	38,725,924	36,516,048	-5.7%
<b>TOTAL ASSETS</b>	<b>68,829,785</b>	<b>68,738,275</b>	<b>-0.1%</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources for pensions	6,408,611	5,230,826	-18.4%
Deferred outflows of resources for OPEB	821,213	681,856	-17.0%
Deferred loss on advance refunding	2,179,091	2,037,523	-6.5%
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>9,408,915</b>	<b>7,950,205</b>	<b>-15.5%</b>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	3,277,030	3,280,505	0.1%
Advances from grantors	4,113,963	1,196,826	-70.9%
Long-term debt	78,289,098	63,071,889	-19.4%
<b>TOTAL LIABILITIES</b>	<b>85,680,091</b>	<b>67,549,220</b>	<b>-21.2%</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources for leases	-	204,956	N/A
Deferred inflows of resources for pensions	3,598,952	13,546,063	276.4%
Deferred inflows of resources for OPEB	-	153,494	N/A
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,598,952</b>	<b>13,904,513</b>	<b>286.3%</b>
<b>NET POSITION</b>			
Net investment in capital assets	(2,597,701)	(4,522,679)	-74.1%
Restricted	9,768,005	11,366,726	16.4%
Unrestricted	(18,210,647)	(11,609,300)	36.2%
<b>TOTAL NET POSITION</b>	<b>\$ (11,040,343)</b>	<b>\$ (4,765,253)</b>	<b>56.8%</b>

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

**Change in Net Position**

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

Total revenues increased 5.2% from the previous year to \$43,688,363. Property taxes and state aid funding accounted for most of the District's revenue, representing 65.6 cents of each dollar raised. Another 30.5% came from federal and state aid for specific programs, and the remaining 3.9% came from fees charged for services and miscellaneous sources.

The total cost of all programs and services decreased 6.1% to \$37,393,273. Revenues exceeded the District's expenses for the year by \$6,275,090. The District's expenses are primarily related to educating and caring for students (75.8%). Administrative activities of the District account for 6.9% of the total costs.

Years Ended June 30	Governmental Activities		Percentage
	2021	2022	Change 2021-22
<b>REVENUES</b>			
<b>Program Revenues</b>			
Charges for services	\$ 2,424,136	\$ 1,844,964	-23.9%
Operating grants and contributions	12,362,101	13,317,197	7.7%
<b>General Revenues and Special Item</b>			
State formula aid	9,654,400	10,199,908	5.7%
Property taxes	17,313,384	18,457,006	6.6%
Other	384,300	136,734	-64.4%
SPECIAL ITEM: Loss on sale of capital assets	(632,740)	(287,446)	54.6%
<b>TOTAL REVENUES</b>	<b>41,505,581</b>	<b>43,668,363</b>	<b>5.2%</b>
<b>EXPENSES</b>			
Instruction	24,370,033	20,875,151	-14.3%
Instructional-related services	3,100,882	2,859,400	-7.8%
Pupil services	3,997,482	4,617,543	15.5%
General administration	2,616,614	2,581,511	-1.3%
Plant services	3,225,274	3,606,858	11.8%
Ancillary services	331,163	532,618	60.8%
Community services	4,016	6,351	58.1%
Other outgo	219,472	317,244	44.5%
Interest on long-term debt	1,960,865	1,996,597	1.8%
<b>TOTAL EXPENSES</b>	<b>39,825,801</b>	<b>37,393,273</b>	<b>-6.1%</b>
<b>Change in Net Position</b>	<b>\$ 1,679,780</b>	<b>\$ 6,275,090</b>	<b>273.6%</b>

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

---

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

**Governmental Funds**

The District's governmental funds reported a combined fund balance of \$27,710,582, an increase of \$4,771,859 from the previous year. Following is a summary of the District's fund balances.

June 30	Fund Balance		Increase (Decrease)
	2021	2022	
General	\$ 16,194,540	\$ 20,678,753	\$ 4,484,213
Student Activity Special Revenue	44,056	54,522	10,466
Cafeteria Special Revenue	223,540	528,179	304,639
Building	720,428	573,820	(146,608)
Capital Facilities	2,214,726	2,306,517	91,791
Special Reserve Capital Projects	521,753	917,514	395,761
Bond Interest and Redemption	3,019,680	2,651,277	(368,403)
<b>Totals</b>	<b>\$ 22,938,723</b>	<b>\$ 27,710,582</b>	<b>\$ 4,771,859</b>

The increase in the General Fund is due primarily to receiving one-time funds that have a multi-year timeline to fully expend.

The increase in the Cafeteria Special Revenue Fund is due to being funded throughout the year on the Seamless Summer program. This program allowed for all students to eat for free and also provide a higher reimbursement rate.

The decrease in the Building Fund is due to purchasing teacher workstations.

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

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

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

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

---

**General Fund Budgetary Highlights**

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

The District budgeted revenues and other financing sources to exceed expenditures and other financing uses by \$3,552,551. However, actual results for the year reflected a surplus of \$4,484,213. 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.

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

**Capital Assets**

The District has invested \$36,516,048 in capital assets including land, site improvements, buildings, and equipment. During the year, the District purchased a tractor, a 3D printer, and heating/cooling for the high school locker rooms. The District sold the Bass School property.

June 30	<b>Governmental Activities</b>		<b>Percentage</b>
	<b>2021</b>	<b>2022</b>	<b>Change</b>
			<b>2021-22</b>
Land	\$ 341,760	\$ 341,760	0.0%
Buildings and improvements	70,605,140	68,910,276	-2.4%
Equipment and vehicles	5,364,700	5,520,053	2.9%
Leased equipment	-	430,768	N/A
Accumulated depreciation/amortization	(37,585,676)	(38,686,809)	-2.9%
<b>Totals</b>	<b>\$ 38,725,924</b>	<b>\$ 36,516,048</b>	<b>-5.7%</b>



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

---

**Long-Term Debt**

At year end, the District had \$63,071,889 in outstanding long-term debt. The change in long-term debt is due primarily to the decrease in net pension liability. The District made normally scheduled payments on its general obligation bonds and refunded one series of bonds to lower the interest rate. The District has no plans to incur additional long-term debt in 2022-23.

June 30	Governmental Activities		Percentage Change 2021-22
	2021	2022	
General obligation bonds	\$ 31,192,515	\$ 29,131,288	-6.6%
Bond issue premiums	1,005,621	864,034	-14.1%
Capitalized interest	12,025,008	13,331,820	10.9%
Lease liability	-	322,928	N/A
Compensated absences	122,263	119,675	-2.1%
Total OPEB liability	2,028,247	1,773,258	-12.6%
Net pension liability	31,915,444	17,528,886	-45.1%
<b>Totals</b>	<b>\$ 78,289,098</b>	<b>\$ 63,071,889</b>	<b>-19.4%</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: 16.92% in 2021-22, 19.10% in 2022-23, and 19.10% in 2023-24 along with projected increases in the percent of employer contributions to the Public Employees’ Retirement System: 22.91% in 2021-22, 25.37% in 2022-23, and 25.20% in 2023-24. In addition, the District has experienced declining enrollment, which will result in a decrease in Local Control Funding Formula (LCFF).

Estimates of future year increases to LCFF are limited to COLA alone, and is unlikely to be able to fund the increased costs associated with step and column and the escalating employer retirement system costs.

The District has contracts through June 30, 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. 2021-22 negotiations are not settled for all of the employee groups as of June 30, 2022.

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)

---

**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

	<b>Governmental Activities</b>
June 30, 2022	
<b>ASSETS</b>	
Cash and investments	\$ 25,207,795
Accounts receivable	905,654
Due from other governments	5,808,747
Inventories	53,832
Prepaid expenses	41,243
Lease receivables	204,956
Nondepreciated capital assets	341,760
Depreciated capital assets - net	35,851,212
Leased assets - net	323,076
<b>TOTAL ASSETS</b>	<b>68,738,275</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources for pensions	5,230,826
Deferred outflows of resources for OPEB	681,856
Deferred loss on advance refunding	2,037,523
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>7,950,205</b>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	1,858,533
Due to other governments	1,421,972
Advances from grantors	1,196,826
Long-term obligations:	
Due within one year	2,380,901
Due beyond one year	60,690,988
<b>TOTAL LIABILITIES</b>	<b>67,549,220</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources for leases	204,956
Deferred inflows of resources for pensions	13,546,063
Deferred inflows of resources for OPEB	153,494
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>13,904,513</b>
<b>NET POSITION</b>	
Net investment in capital assets	(4,522,679)
Restricted for capital projects	2,880,337
Restricted for debt service	2,651,277
Restricted for educational programs	5,306,243
Restricted for other purposes	528,869
Unrestricted	(11,609,300)
<b>TOTAL NET POSITION</b>	<b>\$ (4,765,253)</b>

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

# Gateway Unified School District

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2022	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	\$ 20,875,151	\$ 1,293,419	\$ 8,724,787	\$ (10,856,945)
Instruction-related services	2,859,400	313,307	482,798	(2,063,295)
Pupil services	4,617,543	123,336	2,832,771	(1,661,436)
Ancillary services	532,618	10,420	80,875	(441,323)
Community services	6,351	2,074	-	(4,277)
General administration	2,581,511	2,077	674,486	(1,904,948)
Plant services	3,606,858	94,074	518,020	(2,994,764)
Other outgo	317,244	6,257	3,460	(307,527)
Interest on long-term debt	1,996,597	-	-	(1,996,597)
<b>Total Governmental Activities</b>	<b>\$ 37,393,273</b>	<b>\$ 1,844,964</b>	<b>\$ 13,317,197</b>	<b>(22,231,112)</b>
<b>GENERAL REVENUES</b>				
Property taxes - levied for general purposes				15,425,512
Property taxes - levied for debt service				2,582,488
Property taxes - levied for other specific purposes				449,006
Federal and state aid not restricted to specific purposes				10,199,908
Unrestricted investment earnings				(704,240)
Interagency revenues				202,984
Miscellaneous				637,990
<b>SPECIAL ITEM - Loss on sale of capital assets</b>				<b>(287,446)</b>
<b>TOTAL GENERAL REVENUES AND SPECIAL ITEM</b>				<b>28,506,202</b>
<b>Change in Net Position</b>				<b>6,275,090</b>
<b>Net Position - Beginning of Year</b>				<b>(11,040,343)</b>
<b>Net Position - End of Year</b>				<b>\$ (4,765,253)</b>

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

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

June 30, 2022	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 18,490,967	\$ 6,716,828	\$ 25,207,795
Accounts receivable	899,844	5,810	905,654
Due from other governments	5,498,560	310,187	5,808,747
Due from other funds	39,478	-	39,478
Inventories	-	53,832	53,832
Prepaid expenditures	41,243	-	41,243
Lease receivables	204,956	-	204,956
<b>TOTAL ASSETS</b>	<b>\$ 25,175,048</b>	<b>\$ 7,086,657</b>	<b>\$ 32,261,705</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable and other current liabilities	\$ 1,672,541	\$ 15,350	\$ 1,687,891
Due to other governments	1,421,972	-	1,421,972
Due to other funds	-	39,478	39,478
Advances from grantors	1,196,826	-	1,196,826
<b>Total Liabilities</b>	<b>4,291,339</b>	<b>54,828</b>	<b>4,346,167</b>
<b>Deferred Inflows of Resources for Leases</b>	<b>204,956</b>	<b>-</b>	<b>204,956</b>
<b>Fund Balances</b>			
Nonspendable	53,343	53,832	107,175
Restricted	5,306,243	6,060,483	11,366,726
Assigned	14,247,219	917,514	15,164,733
Unassigned	1,071,948	-	1,071,948
<b>Total Fund Balances</b>	<b>20,678,753</b>	<b>7,031,829</b>	<b>27,710,582</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 25,175,048</b>	<b>\$ 7,086,657</b>	<b>\$ 32,261,705</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, 2022

---

<b>Total Fund Balances - Governmental Funds</b>	\$ 27,710,582
---	---------------

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/amortization.

Capital assets at historical cost	\$ 75,202,857
Accumulated depreciation/amortization	(38,686,809)

---

<b>Total Capital Assets - Net</b>	36,516,048
-----------------------------------	------------

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 unmaturred interest owed at the end of the period was:

(170,642)

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

General obligation bonds	43,327,142
Net pension liability	17,528,886
Total OPEB liability	1,773,258
Compensated absences	119,675
Lease liability	322,928
Deferred loss on debt refunding	(2,037,523)

---

<b>Total Long-Term Liabilities</b>	(61,034,366)
------------------------------------	--------------

<b>Balance Forward</b>	\$ 3,021,622
------------------------	--------------

---

*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, 2022

---

<b>Balance Brought Forward</b>	\$ 3,021,622
 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	5,230,826
Deferred inflows of resources relating to pensions	(13,546,063)
 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	681,856
Deferred inflows of resources relating to OPEB	(153,494)
<b>Total Net Position - Governmental Activities</b>	<b>\$ (4,765,253)</b>

---

*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, 2022	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 15,425,512	\$ 2,582,488	\$ 18,008,000
Local control funding formula sources	9,606,768	-	9,606,768
Other state revenue	4,640,546	84,606	4,725,152
Federal revenue	6,622,215	1,570,207	8,192,422
Other local revenue	3,707,192	110,159	3,817,351
<b>Total Revenues</b>	<b>40,002,233</b>	<b>4,347,460</b>	<b>44,349,693</b>
<b>Expenditures</b>			
Current:			
Instruction	21,580,990	-	21,580,990
Instruction-related services	3,228,855	1,375,530	4,604,385
Pupil services	3,385,740	-	3,385,740
Ancillary services	484,265	62,281	546,546
Community services	6,351	-	6,351
General administration	2,714,539	42,668	2,757,207
Plant services	3,693,660	145,025	3,838,685
Transfers between agencies	256,244	-	256,244
Debt service:			
Principal	107,840	2,122,504	2,230,344
Interest and other charges	7,462	737,278	744,740
Capital outlay	52,074	-	52,074
<b>Total Expenditures</b>	<b>35,518,020</b>	<b>4,485,286</b>	<b>40,003,306</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>4,484,213</b>	<b>(137,826)</b>	<b>4,346,387</b>
<b>Other Financing Sources (Uses)</b>			
Other financing source - refunding bonds	-	2,741,277	2,741,277
Other financing use - payment to refunded bond escrow agent	-	(2,741,277)	(2,741,277)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Special Item</b>			
Proceeds from sale of capital assets	-	425,472	425,472
<b>Net Change in Fund Balances</b>	<b>4,484,213</b>	<b>287,646</b>	<b>4,771,859</b>
<b>Fund Balances - Beginning of Year</b>	<b>16,194,540</b>	<b>6,744,183</b>	<b>22,938,723</b>
<b>Fund Balances - End of Year</b>	<b>\$ 20,678,753</b>	<b>\$ 7,031,829</b>	<b>\$ 27,710,582</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, 2022

---

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 4,771,859
---	--------------

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 or their lease terms, as applicable, as depreciation and amortization expense. The difference between capital outlay expenditures and depreciation/amortization expense for the period is:

Expenditures for capital outlay	\$ 155,353
Depreciation/amortization expense	(2,083,079)

---

<b>Net Capital Outlay</b>	(1,927,726)
---------------------------	-------------

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:

4,910,344

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

(2,741,277)

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:

(712,918)

---

<b>Balance Forward</b>	\$ 4,300,282
------------------------	--------------

---

*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, 2022

<b>Balance Brought Forward</b>	\$ 4,300,282
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:	(1,251,599)
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:	2,588
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:	3,261,662
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:	(37,862)
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:	19
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 6,275,090</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 Standard**

The District adopted the provisions of GASB Statement No. 87, *Leases*, as of July 1, 2021. 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. This statement has been applied as of the beginning of the period of implementation. The implementation did not affect fund balance or net position, and has resulted in the following changes as of July 1, 2021:

- Initial lease receivables and deferred inflows of resources for leases of \$237,785.
- Initial right-to-use leased assets and lease liability of \$430,768.

**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

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

---

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

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

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

### **Blended Component Units**

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

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

### **Basis of Presentation**

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

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

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

---

**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).

**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).

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

---

**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.

**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.

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

---

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.

**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.



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

---

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, 2022, the fair value of the County pool was 96.69% 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, 2022, was \$907,904. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on investments held at June 30, 2022, was \$842,222.

**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, 2022. 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, 2022. At June 30, 2022, no allowance for doubtful accounts was deemed necessary.

**Balances Due To/From Other Funds**

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

**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.

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

---

**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. Capital assets also include right-to-use leased assets, the measurement of which is described later in this section.

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. Amortization of all right-to-use assets is recorded as an allocated expense in the statement of activities with accumulated amortization reflected in the statement of net position. Amortization of right-to-use assets is provided over the shorter of the lease period or the assets' estimated useful lives. 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
Right-to-use leased equipment	6

**Fund Financial Statements**

In the fund financial statements, fixed assets used in governmental fund operations, including contracts giving the District the right to use leased assets, 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.

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.

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

---

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.

Unearned lease revenue under the terms of a lease agreement with a third party is reported as a deferred inflow of resources in the governmental funds balance sheet and government-wide statement of net position. This amount is amortized over the term of the lease agreement, including any options to extend the lease.

**Leases**

**Lessor** At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Lease receivables and deferred inflows of resources are reported in the governmental funds balance sheet and the government-wide statement of net position.

Key estimates and judgments include how the District determines the discount rate it uses to discount the expected lease receipts to present value, the lease term, and lease receipts. The District uses the following key estimates and assumptions:

- The District uses its incremental borrowing rate as the discount rate for leases.
- The term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**Lessee** The District recognizes lease liabilities with an initial, individual value of \$25,000 or more. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain indirect costs. Subsequently, the leased asset is amortized on a straight-line basis over the shorter of the asset's useful life or the life of the lease.

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

---

Key estimates and judgments related to leases include how the District determines the discount rate it uses to discount the expected lease payments to present value, the lease term, and the lease payments. The District uses the following key estimates and assumptions:

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Leased assets are reported with other capital assets and lease liabilities are reported with long-term debt in the government-wide statement of net position.

### **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.”

**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.

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

---

*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 3% of the General Fund's expenditures and other financing uses. 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.

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

---

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.

**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.

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

---

**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.

**2. CASH AND INVESTMENTS**

The following is a summary of cash and investments:

June 30, 2022	Maturities	Fair Value
Deposits (1)	\$	60,713
<b>Investments That Are Not Securities (2)</b>		
County treasurer's investment pool	21.8 months average	25,147,082
<b>Total Cash and Investments Per Government-Wide Statement of Net Position</b>		<b>\$ 25,207,795</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.

The District has the following recurring fair value measurements as of June 30, 2022:

- County treasurer's investment pool of \$25,147,082 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).



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

---

**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.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following:

June 30, 2022	<b>General Fund</b>	<b>Other Governmental Funds</b>
Interest	\$ 2,913	\$ -
Other	896,931	5,810
<b>Total</b>	<b>\$ 899,844</b>	<b>\$ 5,810</b>

**4. DUE FROM OTHER GOVERNMENTS**

Due from other governments consisted of the following:

June 30, 2022	<b>General Fund</b>	<b>Other Governmental Funds</b>
<b>Due From</b>		
Federal government	\$ 3,438,126	\$ 295,637
State government	1,621,307	14,550
Local governments	439,127	-
<b>Total</b>	<b>\$ 5,498,560</b>	<b>\$ 310,187</b>

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

**5. 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	\$	39,478

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.

**6. CAPITAL ASSETS**

Capital assets activity is as follows:

Year Ended June 30, 2022	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Nondepreciated Capital Assets</b>				
Land	\$ 341,760	\$ -	\$ -	\$ 341,760
<b>Depreciated Capital Assets</b>				
Buildings and improvements	70,605,140	-	1,694,864	68,910,276
Equipment and vehicles	5,364,700	155,353	-	5,520,053
<b>Total Depreciated Capital Assets</b>	<b>75,969,840</b>	<b>155,353</b>	<b>1,694,864</b>	<b>74,430,329</b>
<b>Less: Accumulated Depreciation</b>				
Buildings and improvements	33,674,324	1,676,510	981,946	34,368,888
Equipment and vehicles	3,911,352	298,877	-	4,210,229
<b>Total Accumulated Depreciation</b>	<b>37,585,676</b>	<b>1,975,387</b>	<b>981,946</b>	<b>38,579,117</b>
<b>Total Depreciable Capital Assets - Net</b>	<b>38,384,164</b>	<b>(1,820,034)</b>	<b>712,918</b>	<b>35,851,212</b>
<b>Leased Assets</b>				
Equipment	-	430,768	-	430,768
Less: Accumulated amortization	-	107,692	-	107,692
<b>Total Leased Assets - Net</b>	<b>-</b>	<b>323,076</b>	<b>-</b>	<b>323,076</b>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS - NET</b>	<b>\$ 38,725,924</b>	<b>\$ (1,496,958)</b>	<b>\$ 712,918</b>	<b>\$ 36,516,048</b>

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

Depreciation and amortization expense was charged to governmental activities as follows:

Year Ended June 30, 2022

<b>Governmental Activities</b>		
Instruction		\$ 1,730,568
Instruction - related services		27,255
Pupil services		263,157
Ancillary services		2,507
General administration		54,021
Plant services		5,571
<b>Total Depreciation/Amortization Expense - Governmental Activities</b>		<b>\$ 2,083,079</b>

**7. ACCOUNTS PAYABLE**

Accounts payable consisted of the following:

June 30, 2022	General Fund	Other Governmental Funds
Vendors	\$ 953,207	\$ 13,740
Salaries and benefits	715,412	1,473
Other	3,922	137
<b>Total</b>	<b>\$ 1,672,541</b>	<b>\$ 15,350</b>

**8. DUE TO OTHER GOVERNMENTS**

Due to other governments consisted of the following:

June 30, 2022	General Fund
<b>Due To</b>	
State government	\$ 961,294
Local governments	460,678
<b>Total</b>	<b>\$ 1,421,972</b>

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

**9. BONDED DEBT**

The outstanding general obligation bonded debt is as follows:

Issue Date	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2021	Issued Current Year	Redeemed/Refunded Current Year	Outstanding June 30, 2022
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	1,404,702	-	216,456	1,188,246
2011	2.0-4.0%	2024	7,655,000	3,455,000	-	3,455,000	-
2013	1.13-6.27%	2040	6,300,281	337,982	-	114,048	223,934
2014	2.0-5.0%	2027	5,360,000	3,110,000	-	475,000	2,635,000
2017	2.0-5.25%	2042	2,800,000	2,750,000	-	-	2,750,000
2017	2.0-4.0%	2028	6,378,960	6,258,960	-	85,000	6,173,960
2020	3.5-4.0%	2028	475,000	465,000	-	-	465,000
2020	2.55-3.59%	2039	8,195,903	8,155,903	-	20,000	8,135,903
2021	0.87%	2024	2,741,277	-	2,741,277	437,000	2,304,277
<b>Total</b>			\$ 68,222,107	\$ 31,192,515	\$ 2,741,277	\$ 4,802,504	\$ 29,131,288

The amount of interest cost incurred during the year ended June 30, 2022, was \$1,983,726, all of which was charged to expenses.

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

Year Ending June 30	Principal	Interest	Total
2023	\$ 1,849,240	\$ 688,666	\$ 2,537,906
2024	1,948,438	697,428	2,645,866
2025	1,897,278	333,759	2,231,037
2026	1,691,774	1,155,218	2,846,992
2027	1,422,760	1,604,490	3,027,250
2028-2032	5,827,086	10,831,038	16,658,124
2033-2037	5,838,854	13,960,182	19,799,036
2038-2042	7,322,026	9,519,882	16,841,908
2043	1,333,832	2,726,170	4,060,002
<b>Total</b>	\$ 29,131,288	\$ 41,516,833	\$ 70,648,121

**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, 2022, were \$287,235.

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

---

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, 2022, were \$2,171,159.

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, 2022, was \$5,220,983.

On August 2, 2021, the District refunded the 2011 Series A general obligation bonds totaling \$2,680,000 with the 2021 general obligation refunding bonds. The final balance of \$2,680,277, including accrued interest, was paid in full, and the liability has been removed from long-term debt. The current refunding was undertaken to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding general obligation bonds) over the next three years of \$147,498.

## **11. LEASES**

### **Lease Receivable**

In July 2017, the District (lessor) entered into an agreement with a third party (lessee), to lease school facilities. The lease agreement was for a term of five years, after which time the parties could agree to continue the agreement. During 2021-22, the District continued the agreement for an additional five years, through June 30, 2027. The agreement calls for annual payments of \$16,082, \$29,592, \$30,480, \$31,394, \$32,335, and \$33,305 for the 2021-22 through 2026-27 fiscal years, respectively. Conditions of the lease do not provide for variable payments.

For the year ended June 30, 2022, the District recognized \$10,096 in lease revenue and \$5,986 in interest revenue. There were no variable or other payments recognized for the year ended June 30, 2022, that were not previously included in the measurement of the lease receivable.

At June 30, 2022, the District holds a lease receivable and deferred inflows of resources for lease of \$139,558 related to this lease.

In July 2018, the District (lessor) entered into an agreement with a third party (lessee), to lease school facilities. The lease agreement was for a term of four years, after which time the parties could agree to continue the agreement. During 2021-22, the District continued the agreement for an additional two years, through June 30, 2024. The agreement calls for monthly payments of \$2,160 through July 2022, at which time the monthly payment becomes \$2,880. Conditions of the lease do not provide for variable payments.

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

For the year ended June 30, 2022, the District recognized \$22,733 in lease revenue and \$3,187 in interest revenue. There were no variable or other payments recognized for the year ended June 30, 2022, that were not previously included in the measurement of the lease receivable.

At June 30, 2022, the District holds a lease receivable and deferred inflows of resources for lease of \$65,398 related to this lease.

**Lease Liability**

In July 2019, the District entered into a six-year lease agreement as lessee for the acquisition and use of copiers. An initial lease liability was recorded in the amount of \$430,768 as of July 1, 2021. At June 30, 2022, the value of the lease liability was \$322,928. The District is required to make semi-annual principal and interest payments of \$57,651. The lease has an interest rate of 4.00%. The agreement does not contain a purchase option. Conditions of the lease do not provide for variable payments or residual value guarantees. The equipment has a six-year estimated useful life. The value of the right-to-use assets as of June 30, 2022, was \$430,768 and had accumulated amortization of \$107,692. The amount of interest cost incurred during the year ended June 30, 2022, was \$7,462, all of which was charged to expenses. There were no variable or other payments recognized for the year ended June 30, 2022, that were not previously included in the measurement of the lease liability.

The future lease payments are as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 103,408	\$ 11,894	\$ 115,302
2024	107,587	7,715	115,302
2025	111,933	3,369	115,302
<b>Total</b>	<b>\$ 322,928</b>	<b>\$ 22,978</b>	<b>\$ 345,906</b>

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

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

Year Ended June 30, 2022	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Compensated absences	\$ 122,263	\$ -	\$ 2,588	\$ 119,675	\$ -
General obligation bonds	31,192,515	2,741,277	4,802,504	29,131,288	1,849,240
Bond issue premiums	1,005,621	-	141,587	864,034	134,773
Capitalized interest	12,025,008	1,561,308	254,496	13,331,820	293,480
Lease liability	-	430,768	107,840	322,928	103,408
Total OPEB liability	2,028,247	-	254,989	1,773,258	-
Net pension liability	31,915,444	-	14,386,558	17,528,886	-
<b>Total</b>	<b>\$ 78,289,098</b>	<b>\$ 4,733,353</b>	<b>\$ 19,950,562</b>	<b>\$ 63,071,889</b>	<b>\$ 2,380,901</b>

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

**13. FUND BALANCES COMPONENTS**

Fund balances are composed of the following:

June 30, 2022	General Fund	Other Governmental Funds
<b>Nonspendable</b>		
Reserved for:		
Revolving cash	\$ 12,100	\$ -
Inventories	-	53,832
Prepaid expenditures	41,243	-
<b>Total Nonspendable</b>	<b>\$ 53,343</b>	<b>\$ 53,832</b>
<b>Restricted</b>		
Restricted for:		
Capital projects	\$ -	\$ 2,880,337
Debt service	-	2,651,277
Student activities	-	54,522
Federal and state categoricals	5,306,243	474,347
<b>Total Restricted</b>	<b>\$ 5,306,243</b>	<b>\$ 6,060,483</b>
<b>Assigned</b>		
Assigned for:		
Forest Reserve	\$ 797,909	\$ -
Additional concentration	509,737	-
Mandated costs	2,093,274	-
Medi-cal administrative activities	1,177,934	-
Lottery	910,315	-
Funding losses/future deficit	7,501,604	-
Special education	150,000	-
Technology infrastructure	249,842	-
Site specific fundraising	73,098	-
Deferred maintenance	336,690	-
OPEB obligation	417,672	-
Other purposes	29,144	-
Capital projects	-	917,514
<b>Total Assigned</b>	<b>\$ 14,247,219</b>	<b>\$ 917,514</b>
<b>Unassigned</b>		
Designated for economic uncertainties	\$ 1,071,948	\$ -

**14. JOINT POWERS AUTHORITIES**

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

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

**15. COMMITMENTS AND CONTINGENCIES**

**Federal and State Allowances, Awards, and Grants**

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

**COVID-19**

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



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

---

**16. RISK MANAGEMENT**

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

**17. EMPLOYEE RETIREMENT SYSTEMS**

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

**Summary**

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

June 30, 2022	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS State Teachers' Retirement Plan	\$ 9,219,211	\$ 3,351,809	\$ 9,336,692	\$ (121,918)
CalPERS School Employer Pool	8,309,675	1,879,017	4,209,371	316,486
<b>Total</b>	<b>\$ 17,528,886</b>	<b>\$ 5,230,826</b>	<b>\$ 13,546,063</b>	<b>\$ 194,568</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)

---

**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 2021-22 was 16.92% of annual payroll. The District's contributions to CalSTRS for the fiscal year ended June 30, 2022, were \$1,982,550.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** At June 30, 2022, 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, 2022

District's proportionate share of the net pension liability	\$ 9,219,211
State's proportionate share of the net pension liability associated with the District	4,638,846
<b>Total</b>	<b>\$ 13,858,057</b>

The District's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, 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, 2022, 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 10.828% of the members' creditable earnings from the fiscal year ending in the prior calendar year. For the year ended June 30, 2022, the District recognized pension expense of \$908,999 and revenue of \$908,999 for support provided by the state. At June 30, 2022, 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	\$ 23,095	\$ 981,309
Net difference between projected and actual earnings on pension plan investments	-	7,293,160
Change in assumptions	1,305,830	-
Changes in proportion and differences between District contributions and proportionate share of contributions	40,334	1,062,223
District contributions subsequent to the measurement date	1,982,550	-
<b>Total</b>	<b>\$ 3,351,809</b>	<b>\$ 9,336,692</b>

The \$1,982,550 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, 2023. 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>	
2023	\$ (1,794,319)
2024	(1,495,536)
2025	(2,127,524)
2026	(2,261,854)
2027	(197,424)
Thereafter	(90,776)
<b>Total</b>	<b>\$ (7,967,433)</b>

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

---

**Actuarial Assumptions** The total pension liability in the June 30, 2020, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.10%
Interest on accounts	3.00%
Wage growth	3.50%
Consumer price inflation	2.75%
Post-retirement benefit increases	2.00% simple

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among 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, 2020, 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)

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, 2021, 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 statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assumes that contributions, benefit payments, and administrative expenses occurred midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
June 30, 2022			
District's proportionate share of the net pension liability	\$ 18,767,015	\$ 9,219,211	\$ 1,294,717

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

---

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

**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 2021-22 fiscal year was 22.91%. The District's contributions to CalPERS for the fiscal year ended June 30, 2022, were \$1,473,679.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** At June 30, 2022, the District reported a net pension liability of \$8,309,675 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, 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, 2022, the District's proportion was 0.0409%.

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

For the year ended June 30, 2022, the District recognized pension expense of \$316,486. At June 30, 2022, 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	\$ 248,065	\$ 19,589
Net difference between projected and actual earnings on pension plan investments	-	3,189,006
Change in assumptions	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	157,273	1,000,776
District contributions subsequent to the measurement date	1,473,679	-
<b>Total</b>	<b>\$ 1,879,017</b>	<b>\$ 4,209,371</b>

The \$1,473,679 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, 2023. 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>	
2023	\$ (1,132,967)
2024	(1,029,667)
2025	(754,474)
2026	(886,925)
<b>Total</b>	<b>\$ (3,804,033)</b>

**Actuarial Assumptions** The total pension liability in the June 30, 2020, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Actuarial cost method	Entry age normal
<b>Actuarial assumptions:</b>	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15%

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

---

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, 2020, 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.

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.

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Real Rate of Return</b>	
		<b>Years 1 - 10</b>	<b>Years 11+</b>
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.



**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 7.15%, 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, 2022	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 14,011,280	\$ 8,309,675	\$ 3,576,121

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

**18. EARLY RETIREMENT INCENTIVE PROGRAM**

The District did not enter into any early retirement incentive agreements during 2021-22, 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:

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

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

---

**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, 2022, the District contributed \$274,514, representing premium payments on behalf of retired employees.

**Total OPEB Liability**

The District’s total OPEB liability was measured as of June 30, 2022, using an annual actuarial valuation as of July 1, 2020, rolled forward to June 30, 2022, using standard update procedures. The June 30, 2022, total OPEB liability was based on the actuarial methods and assumptions as shown below.

**Actuarial Assumptions**

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

---

Valuation date	July 1, 2020
Measurement date	June 30, 2022
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation	2.75%
Salary increases	3.00%
Discount rate	3.69%
Healthcare cost trend rate - pre-65	6.00% <sup>(1)</sup>

---

(1) For fiscal year 2022, decreasing to an ultimate rate of 4.00% in 2070.

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

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

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.69%. The discount rate is based on the Municipal Bond 20-Year High Grade Rate Index.

**Changes in the Total OPEB Liability**

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

Year Ended June 30, 2022

<b>Total OPEB Liability</b>	
Service cost	\$ 155,951
Interest	39,314
Difference between expected and actual experience	-
Changes of assumptions	(175,740)
Benefit payments - including refunds of employee contributions	(274,514)
<b>Net Change in Total OPEB Liability</b>	<b>(254,989)</b>
<b>Total OPEB Liability - Beginning of Year</b>	<b>2,028,247</b>
<b>Total OPEB Liability - End of Year</b>	<b>\$ 1,773,258</b>
Covered-employee payroll	\$ 19,095,986
District's total OPEB liability as a percentage of covered-employee payroll	9.29%

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

The following presents the District's total OPEB liability calculated using the discount rate of 3.69%, as well as the District's total OPEB liability if it was calculated using a discount rate that is one percentage point lower (2.69%) or one percentage point higher (4.69%) than the current rate:

June 30, 2022	1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
Total OPEB liability	\$ 1,870,791	\$ 1,773,258	\$ 1,680,680

**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, 2022	1% Decrease (5.00%)	Health Cost Trend Rates (6.00%)	1% Increase (7.00%)
Total OPEB liability	\$ 1,716,779	\$ 1,773,258	\$ 1,835,419

**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, 2022, the District recognized OPEB expense of \$312,376. At June 30, 2022, 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	\$ 514,594	\$ -
Changes in assumptions	167,262	153,494
<b>Total</b>	<b>\$ 681,856</b>	<b>\$ 153,494</b>

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

<u>Year Ending June 30</u>	
2023	\$ 117,111
2024	117,111
2025	117,111
2026	94,932
2027	56,535
Thereafter	25,562
<b>Total</b>	<b>\$ 528,362</b>

**20. SUBSEQUENT EVENTS**

During 2022-23, the District purchased three electric buses at a total cost of \$1,150,850. The cost is expected to be fully reimbursed by a grant. The District also entered into an agreement to install 114 HVAC units district-wide at a cost of \$2,982,387.

**21. FUTURE GASB IMPLEMENTATION**

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This statement improves financial reporting by establishing a definition for SBITA and providing uniform guidance for accounting and financial reporting for transactions that meet this definition. This statement establishes that a SBITA results in a right-to-use asset—an intangible asset—and a corresponding subscription liability. It provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2022, will have on the District's financial statements, if any.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. This statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2023, will have on the District's financial statements, if any.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This statement outlines a unified recognition and measurement model that will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2024, 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, 2022	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 11,836,292	\$ 13,159,934	\$ 15,425,512	\$ 2,265,578
Local control funding formula sources	12,445,310	11,817,177	9,606,768	(2,210,409)
Other state revenue	2,305,682	4,552,681	4,640,546	87,865
Federal revenue	11,328,303	6,933,032	6,622,215	(310,817)
Other local revenue	3,798,083	5,630,721	3,707,192	(1,923,529)
<b>Total Revenues</b>	<b>41,713,670</b>	<b>42,093,545</b>	<b>40,002,233</b>	<b>(2,091,312)</b>
<b>Expenditures</b>				
Certificated salaries	13,010,264	12,222,346	12,365,858	(143,512)
Classified salaries	7,022,482	6,273,630	6,280,040	(6,410)
Employee benefits	9,084,950	8,495,115	8,192,069	303,046
Books and supplies	2,480,941	2,844,715	2,433,849	410,866
Services and other operating	8,147,131	7,167,384	5,758,782	1,408,602
Capital outlay	820,000	1,328,418	155,353	1,173,065
Other outgo	177,661	209,386	216,767	(7,381)
Debt service:				
Principal	-	-	107,840	(107,840)
Interest and other charges	-	-	7,462	(7,462)
<b>Total Expenditures</b>	<b>40,743,429</b>	<b>38,540,994</b>	<b>35,518,020</b>	<b>3,022,974</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>970,241</b>	<b>3,552,551</b>	<b>4,484,213</b>	<b>931,662</b>
<b>Other Financing Sources (Uses)</b>				
Interfund transfers out	(228,031)	-	-	-
<b>Net Change in Fund Balances</b>	<b>742,210</b>	<b>3,552,551</b>	<b>4,484,213</b>	<b>931,662</b>
<b>Fund Balances - Beginning of Year</b>	<b>16,194,540</b>	<b>16,194,540</b>	<b>16,194,540</b>	<b>-</b>
<b>Fund Balances - End of Year</b>	<b>\$ 16,936,750</b>	<b>\$ 19,747,091</b>	<b>\$ 20,678,753</b>	<b>\$ 931,662</b>

See the accompanying notes to this budgetary comparison schedule.

# Gateway Unified School District

## NOTES TO THE BUDGETARY COMPARISON SCHEDULE

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations by the following amounts:

June 30, 2022	<b>General Fund</b>
Certificated salaries	\$ 143,512
Classified salaries	\$ 6,410
Other outgo	\$ 7,381
Debt service - principal	\$ 107,840
Debt service - interest and other charges	\$ 7,462

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	2022		2021		2020		2019		2018	
<b>Total OPEB Liability</b>										
Service cost	\$	155,951	\$	141,496	\$	110,518	\$	103,899	\$	92,019
Interest		39,314		52,831		58,025		70,427		61,842
Difference between expected and actual experience		-		501,485		-		295,695		-
Changes of assumptions		(175,740)		93,868		63,284		125,678		-
Benefit payments - including refunds of employee contributions		(274,514)		(465,469)		(538,041)		(305,303)		(282,168)
<b>Net Change In Total OPEB Liability</b>		(254,989)		324,211		(306,214)		290,396		(128,307)
<b>Total OPEB Liability - Beginning of Year</b>		2,028,247		1,704,036		2,010,250		1,719,854		1,848,161
<b>Total OPEB Liability - End of Year</b>		1,773,258		2,028,247		1,704,036		2,010,250		1,719,854
Covered-employee payroll	\$	19,095,986	\$	19,308,343	\$	17,367,873	\$	18,393,571	\$	18,315,799
District's total OPEB liability as a percentage of covered-employee payroll		9.29%		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	2022		2021		2020		2019		2018	
Contractually required contribution	\$	274,514	\$	465,469	\$	538,041	\$	305,303	\$	282,168
Contributions in relation to the contractually required contribution		(274,514)		(465,469)		(538,041)		(305,303)		(282,168)
<b>Contribution Deficiency (Excess)</b>	\$	-	\$	-	\$	-	\$	-	\$	-
Covered-employee payroll	\$	19,095,986	\$	19,308,343	\$	17,367,873	\$	18,393,571	\$	18,315,799
Contributions as a percentage of covered-employee payroll		1.44%		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		2022	2021	2020
District's proportion of the net pension liability (asset)		0.020%	0.020%	0.021%
District's proportionate share of the net pension liability (asset)	\$	9,219,211	\$ 19,586,487	\$ 18,966,360
State's proportionate share of the net pension liability (asset) associated with the District		4,638,846	10,096,755	10,347,499
<b>Total</b>	\$	13,858,057	\$ 29,683,242	\$ 29,313,859
District's covered-employee payroll	\$	11,362,062	\$ 10,874,649	\$ 11,018,139
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		81.14%	180.11%	172.14%
Plan fiduciary net position as a percentage of the total pension liability		87.20%	71.80%	72.60%

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

See the accompanying notes to the required supplementary information.

## Gateway Unified School District

### SCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Years Ended June 30	2022		2021		2020	
Contractually required contribution	\$	1,982,550	\$	1,834,973	\$	1,859,565
Contributions in relation to the contractually required contribution		(1,982,550)		(1,834,973)		(1,859,565)
<b>Contribution Deficiency (Excess)</b>	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	11,362,062	\$	10,874,649	\$	11,018,139
Contributions as a percentage of covered-employee payroll		17.45%		16.87%		16.88%

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

See the accompanying notes to the required supplementary information.

## Gateway Unified School District

### SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Years Ended June 30	2022	2021	2020
District's proportion of the net pension liability (asset)	0.0409%	0.0402%	0.0455%
District's proportionate share of the net pension liability (asset)	\$ 8,309,675	\$ 12,328,957	\$ 13,257,720
District's covered-employee payroll	\$ 6,043,401	\$ 5,953,334	\$ 6,440,726
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	137.50%	207.09%	205.84%
Plan fiduciary net position as a percentage of the total pension liability	81.00%	70.00%	70.00%

Years Ended June 30	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0483%	0.0494%	0.0464%	0.0467%	0.0464%
District's proportionate share of the net pension liability (asset)	\$ 12,878,301	\$ 11,800,246	\$ 9,164,029	\$ 6,885,088	\$ 5,195,807
District's covered-employee payroll	\$ 6,365,392	\$ 6,295,240	\$ 5,572,415	\$ 5,168,898	\$ 4,878,133
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	202.32%	187.45%	164.45%	133.20%	106.51%
Plan fiduciary net position as a percentage of the total pension liability	70.80%	71.90%	73.90%	79.40%	83.50%

See the accompanying notes to the required supplementary information.

## Gateway Unified School District

### SCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Years Ended June 30	2022		2021		2020	
Contractually required contribution	\$	1,473,679	\$	1,250,984	\$	1,174,057
Contributions in relation to the contractually required contribution		(1,473,679)		(1,250,984)		(1,174,057)
<b>Contribution Deficiency (Excess)</b>	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	6,043,401	\$	5,953,334	\$	6,440,726
Contributions as a percentage of covered-employee payroll		24.38%		21.01%		18.23%

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

See the accompanying notes to the required supplementary information.

# Gateway Unified School District

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

---

### 1. TOTAL OPEB LIABILITY

#### Changes in Benefit Terms

There were no significant changes in benefit terms during the measurement period ended June 30, 2022.

#### Changes in Assumptions

For the measurement period ended June 30, 2022, the discount rate was changed from 1.92% to 3.69% 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, 2022.

### 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, 2021.

#### Changes in Assumptions

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

### 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, 2021.

#### Changes in Assumptions

There were no significant changes of assumptions during the measurement period ended June 30, 2021.

**OTHER SUPPLEMENTARY INFORMATION SECTION**



# Gateway Unified School District

## LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE

June 30, 2022

---

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  
Interim Superintendent

Beth Roberts  
Director of Business Services

**Gateway Unified School District**

SCHEDULE OF CHARTER SCHOOLS

Year Ended June 30, 2022

---

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

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

---

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

**Gateway Unified School District**  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 Year Ended June 30, 2022

	Originally Reported		Final	
	Second Period Report	Annual Report	Second Period Report	Annual Report
<b>ELEMENTARY</b>				
<b>Regular ADA*</b>				
Transitional kindergarten/ kindergarten through grade 3	598	607	597	606
Grades 4 through 6	413	416	413	416
Grades 7 through 8	271	271	271	271
<b>Extended-Year Special Education</b>				
Transitional kindergarten/ kindergarten through grade 3	-	2	-	2
Grades 4 through 6	-	1	-	1
Grades 7 through 8	-	1	-	1
<b>Special Education - Nonpublic, Nonsectarian Schools</b>				
Transitional kindergarten/ kindergarten through grade 3	1	-	1	-
Grades 4 through 6	-	1	-	1
Grades 7 through 8	2	2	2	2
<b>Extended-Year Special Education Nonsectarian Schools</b>				
Grades 7 through 8	6	7	6	7
<b>ELEMENTARY TOTALS</b>	<b>1,291</b>	<b>1,308</b>	<b>1,290</b>	<b>1,307</b>
<b>HIGH SCHOOL</b>				
<b>Regular ADA**</b>				
Grades 9 through 12	547	544	547	544
<b>Extended-Year Special Education</b>				
Grades 9 through 12	1	1	1	1
<b>Community Day School</b>				
Grades 9 through 12	17	18	17	18
<b>HIGH SCHOOL TOTALS</b>	<b>565</b>	<b>563</b>	<b>565</b>	<b>563</b>
<b>ADA Totals</b>	<b>1,856</b>	<b>1,871</b>	<b>1,855</b>	<b>1,870</b>

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

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

See the accompanying note to the other supplementary information.

# Gateway Unified School District

## SCHEDULE OF INSTRUCTIONAL TIME

Year Ended June 30, 2022

	Minutes Requirement	Days Requirement	Actual Minutes Offered	Actual Days Offered	Approved J-13A Credited Minutes*	Approved J-13A Credited Days*	Total Traditional Calendar Minutes	Total Traditional Calendar Days	Multitrack Calendar Days	Status
Kindergarten	36,000	180	61,560	180	-	-	61,560	180	N/A	Complied
Grade 1	50,400	180	52,245	180	-	-	52,245	180	N/A	Complied
Grade 2	50,400	180	53,460	180	-	-	53,460	180	N/A	Complied
Grade 3	50,400	180	56,160	180	-	-	56,160	180	N/A	Complied
Grade 4	54,000	180	56,160	180	-	-	56,160	180	N/A	Complied
Grade 5	54,000	180	56,160	180	-	-	56,160	180	N/A	Complied
Grade 6	54,000	180	59,760	180	-	-	59,760	180	N/A	Complied
Grade 7	54,000	180	60,660	180	-	-	60,660	180	N/A	Complied
Grade 8	54,000	180	60,660	180	-	-	60,660	180	N/A	Complied
Grade 9	64,800	180	65,778	180	-	-	65,778	180	N/A	Complied
Grade 10	64,800	180	65,778	180	-	-	65,778	180	N/A	Complied
Grade 11	64,800	180	65,778	180	-	-	65,778	180	N/A	Complied
Grade 12	64,800	180	65,778	180	-	-	65,778	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) 2023	2022	2021	2020
<b>General Fund</b>				
Revenues and other financial sources	\$ 39,989,258	\$ 40,002,233	\$ 38,479,750	\$ 34,714,267
Expenditures	39,488,732	35,518,020	34,987,560	31,708,857
Other uses and transfers out	-	-	20,000	166,127
<b>Total Outgo</b>	<b>39,488,732</b>	<b>35,518,020</b>	<b>35,007,560</b>	<b>31,874,984</b>
<b>Change in Fund Balance</b>	<b>500,526</b>	<b>4,484,213</b>	<b>3,472,190</b>	<b>2,839,283</b>
<b>Ending Fund Balance</b>	<b>\$ 21,179,279</b>	<b>\$ 20,678,753</b>	<b>\$ 16,194,540</b>	<b>\$ 12,722,350</b>
Available reserves	\$ 1,192,012	\$ 1,071,948	\$ 6,269,491	\$ 6,125,788
Designated for economic uncertainties	\$ 1,192,012	\$ 1,071,948	\$ 6,269,491	\$ 6,125,788
Undesignated fund balance	\$ -	\$ -	\$ -	\$ -
Available reserves as a percentage of total outgo	3%	3%	18%	19%
Total long-term debt	\$ 62,313,366	\$ 63,071,889	\$ 78,289,098	\$ 78,748,254
Average daily attendance at P-2	1,979	1,855	2,077 *	2,077

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

The General Fund balance has increased by \$7,956,403 over the past two years. The fiscal year 2022-23 budget projects an increase of \$500,526 (2.4%). 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 2022-23 fiscal year. Total long-term debt has decreased by \$15,676,365 over the past two years.

Average daily attendance has decreased by 222 over the past two years. Additional growth in ADA of 124 is anticipated during fiscal year 2022-23.

*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, 2022

---

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

---

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

**Gateway Unified School District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2022

<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	\$ 605,440
Special Education - IDEA Preschool	84.173	13430	144,017
<b>Total Special Education Cluster</b>			<b>749,457</b>
<b>ESEA - Title I, Part A Grants</b>			
ESEA - Title I, Part A, Basic Grants	84.010A	14329	1,178,387
ESEA - School Improvement Funding for LEAs	84.010	15438	758,329
<b>Total ESEA - Title I, Part A Grants</b>			<b>1,936,716</b>
<b>Education Stabilization Fund</b>			
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	89
COVID-19 - Elementary and Secondary School Emergency Relief III (ESSER) Fund	84.425D	15547	3,057,466
COVID-19 - Elementary and Secondary School Emergency Relief III (ESSER) Fund	84.425D	15559	10,186
COVID-19 - Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D	15618	210,000
COVID-19 - COVID CARES Act Supplemental Meal Reimbursement	84.425D	15535	105,875
<b>Total Education Stabilization Fund</b>			<b>3,383,616</b>
Vocational Programs - Vocational and Applied Technical Secondary IC, Section 131	84.048	14894	36,365
ESEA - Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	144,293
ESEA - Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	91,352
<b>Direct Programs</b>			
Indian Education - Grants to Local Educational Agencies	84.060		58,344
<b>Total U.S. Department of Education</b>			<b>6,400,143</b>
<b>Subtotal Forward</b>			<b>\$ 6,400,143</b>

See the accompanying note to the other supplementary information.

**Gateway Unified School District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2022  
(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>			\$ 6,400,143
<b>U.S. Department of Agriculture Passed Through California Department of Education</b>			
<b>Child Nutrition Cluster</b>			
School Breakfast	10.553	13390	244,300
National School Lunch	10.555	13391	1,085,604
<b>Nonmonetary Assistance</b>			
Food Donation	10.555		68,416
<b>Total Child Nutrition Cluster</b>			1,398,320
<b>Passed Through Shasta County Office of Education</b>			
Schools and Roads - Grants to Counties	10.666	10044	116,915
<b>Total U.S. Department of Agriculture</b>			1,515,235
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 7,915,378</b>

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



# Gateway Unified School District

## NOTE TO THE OTHER SUPPLEMENTARY INFORMATION

---

### **PURPOSE OF SCHEDULES**

#### **Schedule of Charter Schools**

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

#### **Schedule of Average Daily Attendance**

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

#### **Schedule of Instructional Time**

The District received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District met or exceeded its local 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 46200 through 46208.

#### **Schedule of Financial Trends and Analysis**

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

#### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

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

#### **Schedule of Expenditures of Federal Awards**

This schedule includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2022. 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, 2022; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated December 15, 2022.

***Report on 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 2022-001, 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)

***Report on Compliance and Other Matters***

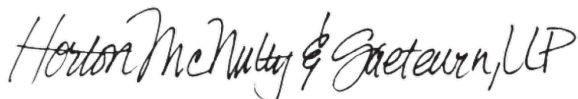
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

*Government Auditing Standards* requires that the auditor perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 15, 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**

***Opinion on Each Major Federal Program***

We have audited Gateway Unified School District's (the District) compliance with the types of compliance requirements identified as subject to audit 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, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the 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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provision of contracts or grant agreements applicable to the District's federal programs.

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

(Continued)

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

(Continued)

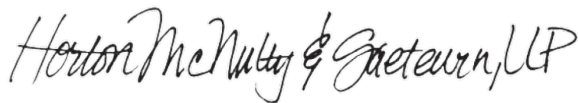
**Report on Internal Control Over Compliance**

*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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance, and the results of that testing, based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



December 15, 2022  
Chico, California

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER STATE COMPLIANCE

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

### **Report on Compliance**

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

We have audited the Gateway Unified School District's (the District) compliance with the requirements specified in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, applicable to the District's state program requirements identified below for the year ended June 30, 2022.

In our opinion, the District complied, in all material respects, with the laws and regulations of the state programs noted on pages 87 and 88 for the year ended June 30, 2022.

#### ***Basis for Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's state programs.



## **INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER STATE COMPLIANCE**

(Continued)

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON  
INTERNAL CONTROL OVER STATE COMPLIANCE**

(Continued)

June 30, 2022	Procedures Performed
<b>Local Education Agencies Other than Charter Schools:</b>	
A. Attendance	Yes
B. Teacher certification and misassignments	Yes
C. Kindergarten continuance	Yes
D. Independent study	Yes
E. Continuation education	Yes
F. Instructional time	Yes
G. Instructional materials	Yes
H. Ratios of administrative employees to teachers	Yes
I. Classroom teacher salaries	Yes
J. Early retirement incentive	No
K. Gann limit calculation	Yes
L. School accountability report card	Yes
M. Juvenile court schools	Not applicable
N. Middle and early college high schools	No
O. K-3 grade span adjustment	Yes
P. Transportation maintenance of effort	Yes
Q. Apprenticeship: Related and supplemental instruction	No
R. Comprehensive school safety plan	Yes
S. District of choice	No
<b>School Districts, County Offices of Education, and Charter Schools:</b>	
T. California Clean Energy Jobs Act	Yes
U. After/Before school education and safety program:	
After school	Yes
Before school	No
General requirements	Yes
V. Proper expenditure of education protection account funds	Yes
W. Unduplicated local control funding formula pupil counts	Yes
X. Local control and accountability plan	Yes
Y. Independent study-course based	No
Z. Immunizations	Yes
AZ. Educator effectiveness	Yes
BZ. Expanded learning opportunities grant (ELO-G)	Yes
CZ. Career technical education incentive grant	No
DZ. In-person instruction grant	Yes

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON  
INTERNAL CONTROL OVER STATE COMPLIANCE**

(Continued)

June 30, 2022	Procedures Performed
<b>Charter schools:</b>	
AA. Attendance	No
BB. Mode of instruction	No
CC. Nonclassroom-based instruction/independent study	No
DD. Determination of funding for nonclassroom-based instruction	No
EE. Annual instructional minutes – classroom based	No
FF. Charter school facility grant program	No

District of choice (S) 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 2021-22 or the program is not applicable to school districts, all steps related to them were not performed:

- J. Early retirement incentive
- M. Juvenile court schools
- N. Middle and early college high schools
- Q. Apprenticeship: Related and supplemental instruction
- U. After/Before school education and safety program - before school
- Y. Independent study-course based
- CZ. Career technical education incentive grant

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

- AA. Attendance
- BB. Mode of instruction
- CC. Nonclassroom-based instruction/independent study
- DD. Determination of funding for nonclassroom-based instruction
- EE. Annual instructional minutes – classroom based
- FF. Charter school facility grant program

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER STATE COMPLIANCE**

(Continued)

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003. Our opinion on state compliance is not modified with respect to these matters.

### ***The District's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit and 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 it.

### **Report on 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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON  
INTERNAL CONTROL OVER STATE COMPLIANCE**

(Continued)

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 *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

*Horton McNulty & Gaetavn, LLP*

December 15, 2022  
Chico, California

## **FINDINGS AND QUESTIONED COSTS SECTION**

**Gateway Unified School District**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2022

---

**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:	
Child Nutrition Cluster	
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**

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

**Gateway Unified School District**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2022  
(Continued)

---

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

**INTERNAL CONTROL (Student Body Accounts)**  
30000 (2022-001)

**Significant Deficiency**

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

1. One of 15 deposits tested related to a raffle fundraiser, which is not an allowable fundraiser.
2. One of 15 deposits was not made timely.
3. For four of 15 deposits, cash was not counted at the close of the event, or was only counted by one individual at the close of the event.
4. For one of 15 deposits tested, a fundraiser occurred over a period of time with no detail of when cash was received. Therefore, timeliness and completeness of the deposit could not be determined.
5. For 7 of 15 disbursements tested, pre-approval did not occur. They were approved after purchases were made.

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

1. Fundraisers are only conducted using allowable methods. School districts are not eligible to operate a raffle under *California Penal Code*, Section 320.5.
2. Deposits are made on a timely basis.
3. Cash received from single fundraising events is 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.
4. Purchases made with student body funds are only made after they have been approved by the advisor, student council representative, and District official. Reimbursements and contracts must be pre-approved by all required parties prior to making the purchase or entering into a contract.

**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.

**Context** The sample is statistically valid. The items noted appear systematic.

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

**Repeat Finding** This finding relates to item 2021-001 that was reported in the previous year and is listed in the Summary Schedule of Prior Audit Findings.



**Gateway Unified School District**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2022

(Continued)

---

**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 2022-23 to comply with the recommendation.

**Gateway Unified School District**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2022  
(Continued)

---

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

None.

**SECTION IV FINDINGS**  
**STATE AWARDS AUDIT**

**STATE COMPLIANCE (Immunizations)**  
 40000 (2022-002)

**State Compliance**

**Condition** During our test work over immunizations, it was noted that two of 18 transitional kindergarten through first grade pupils selected for testing were enrolled prior to having their required second dose of measles and varicella vaccines. The pupils were eligible to receive their second dose prior to enrollment as the first dose had been received greater than four months prior to enrollment. The pupils were not excluded from average daily attendance (ADA) reported to the California Department of Education.

**Criteria** Pursuant to *California Code of Regulations*, Title 17, Section 6025, pupils entering transitional kindergarten or kindergarten, or first grade if kindergarten is skipped, must provide a valid immunization record documenting administration of two doses of varicella vaccine and two doses of measles vaccine, or have on file a current medical exemption from immunization before admission. Pupils that have had one dose of immunizations within four months prior to enrollment, may be conditionally enrolled and monitored for the second dose. Pupils who fail to obtain the required immunizations or have a valid exemption on file shall be excluded from attendance.

**Effect** The District was not in compliance with the provisions of *California Code of Regulations*, Title 17, Section 6025. As a result, ADA reported to the California Department of Education in Second Period Attendance School District report is overstated by 0.96 ADA and ADA in the Annual Attendance School District report was overstated by 0.97 ADA. The disallowed ADA and derived value, which includes ADA reported for the two students from the date of enrollment until they were fully vaccinated, is as follows:

<b>Grade</b>	<b>K</b>
Second Period Report	0.96
Annual Report	0.97
Derived value of ADA for TK-3 grade span	\$ 11,265.92
Calculated derived value of ADA	\$ 10,815

Pursuant to *California Education Code*, Section 42238.5, the District’s principal apportionment is calculated based on the greater of current-year or prior-year ADA. As the prior year ADA is greater than the amended 2021-22 ADA, the above disallowance will not affect the District’s 2021-22 principal apportionment.

**Cause** Unknown.

**Context** The sample is statistically valid. The noncompliance noted appears isolated.

**Repeat Finding** No, this is not a repeat finding.

**Recommendation** We recommend the District monitor required immunizations, and exclude pupils from ADA claimed until required immunizations are received. We also recommend that the District amend the Second Period and Annual Attendance School District reports for the disallowed ADA.

**Gateway Unified School District**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2022

(Continued)

---

**Response** The District's management will implement procedures during the 2022-23 fiscal year to comply with the recommendations, and will amend the Second Period and Annual Attendance School District reports for the disallowed ADA.

**Gateway Unified School District**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2022  
(Continued)

---

**STATE COMPLIANCE (Independent Study)**

40000 (2022-003)

**State Compliance**

**Condition** During our tests of compliance over independent study, we noted that for one of 13 students selected for testing, the teacher's judgment of the time value per the completed work assignment record indicated six days of credit, while 11 days of apportionment credit were claimed.

**Criteria** Pursuant to *California Education Code*, Section 51747.5, a local educational agency (LEA) may claim apportionment credit for independent study only to the extent of the time value of pupil work products, as personally judged in each instance by a certificated teacher employed by the LEA.

**Effect** The District was not in compliance with the provisions of *California Education Code*, Section 51747.5. As a result, the average daily attendance (ADA) in the Second Period Attendance School District report is overstated by 0.04 ADA and ADA in the Annual Attendance School District report was overstated by 0.03 ADA. The pupil was an eighth grade student. The derived value of the ADA is \$427, calculated as the derived value of ADA for grade span 7-8 of \$10,664.48 times the disallowed ADA.

Pursuant to *California Education Code*, Section 42238.5, the District's principal apportionment is calculated based on the greater of current-year or prior-year ADA. As the prior year ADA is greater than the amended 2021-22 ADA, the above disallowance will not affect the District's 2021-22 principal apportionment.

**Cause** The overstatement was due to clerical error.

**Context** The sample is statistically valid. The noncompliance noted appears isolated.

**Repeat Finding** No, this is not a repeat finding.

**Recommendation** We recommend that the District amend the Second Period and Annual School District Attendance reports to exclude the ADA noted above. We recommend that the District ensure that independent study ADA claimed for apportionment credit agree to the teacher's judgment of the time value per the completed work assignment record.

**Response** The District's administration will amend the Second Period and Annual Attendance School District reports, and will implement procedures during 2022-23 to comply with the recommendation.

**Gateway Unified School District**

CORRECTIVE ACTION PLAN

June 30, 2022

---

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

**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.

**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.

**Repeat Finding** This finding relates to item 2020-001 that was reported in the 2019-20 Schedule of Findings and Questioned Costs.

**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 2022-001).

## Gateway Unified School District

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2022

(Continued)

---

#### 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.

**Repeat Finding** No, this is not a repeat finding.

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

**Current Status** Fully implemented.



**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

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2022

(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.

**Repeat Finding** No, this is not a repeat finding.

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

**Current Status** The provisions of *California Education Code*, Section 43504 applied only to the 2020-21 fiscal year, therefore, no follow up is applicable.

**Gateway Unified School District**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2022  
(Continued)

---

**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.

**Repeat Finding** No, this is not a repeat finding.

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

**Current Status** Fully implemented.