

Gateway Unified School District

County of Shasta
Redding, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2023



Gateway Unified School District

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

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, 2023; 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, 2023, 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. 96, *Subscription-Based Information Technology Arrangements*, for the fiscal year ended June 30, 2023. 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 ON THE FINANCIAL STATEMENTS

(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 ON THE FINANCIAL STATEMENTS

(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 71 to 80, 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 73 to 80 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

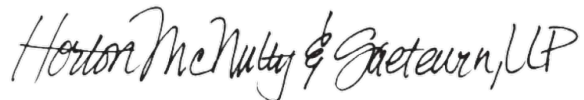
The local educational agency organization structure and the schedule of charter schools have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, 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, 2023

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, 2023, is provided in this discussion and analysis of the District's financial performance. This management's discussion and analysis (MD&A) should be read in conjunction with the District's financial statements (including notes and supplementary information).

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

FINANCIAL HIGHLIGHTS

Overall revenues were \$54,870,085. Revenues exceeded expenses by \$12,051,557.

Total net position in governmental activities was \$7,286,304, an increase of 252.9% from the previous year. The General Fund reported a total fund balance of \$26,381,284.

Enrollment in the District decreased by 3.8%.

The District's long-term debt increased from \$63,071,889 at June 30, 2022, to \$73,304,478 at June 30, 2023. This represents a 16.2% increase in long-term debt overall.

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

USING THIS ANNUAL REPORT

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

- The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The District maintains governmental funds and fiduciary funds as follows:
 - *Governmental Funds*: Statements that provide information on how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - *Fiduciary Funds*: Statements that provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong. The 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, 2023, was \$7,286,304. Of this amount, a negative \$7,587,681 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 2022-23
	2022	2023	
ASSETS			
Cash and investments	\$ 25,207,795	\$ 34,068,782	35.2%
Receivables	6,714,401	4,822,212	-28.2%
Other assets	300,031	226,959	-24.4%
Capital assets - net	36,516,048	39,239,983	7.5%
TOTAL ASSETS	68,738,275	78,357,936	14.0%
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources for pensions	5,230,826	8,299,980	58.7%
Deferred outflows of resources for OPEB	681,856	573,143	-15.9%
Deferred loss on advance refunding	2,037,523	1,895,955	-6.9%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,950,205	10,769,078	35.5%
LIABILITIES			
Accounts payable and other liabilities	3,280,505	4,206,807	28.2%
Advances from grantors	1,196,826	727,164	-39.2%
Long-term debt	63,071,889	73,304,478	16.2%
TOTAL LIABILITIES	67,549,220	78,238,449	15.8%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for leases	204,956	149,261	-27.2%
Deferred inflows of resources for pensions	13,546,063	3,284,092	-75.8%
Deferred inflows of resources for OPEB	153,494	168,908	10.0%
TOTAL DEFERRED INFLOWS OF RESOURCES	13,904,513	3,602,261	-74.1%
NET POSITION			
Net investment in capital assets	(4,522,679)	(1,175,348)	74.0%
Restricted	11,366,726	16,049,333	41.2%
Unrestricted	(11,609,300)	(7,587,681)	34.6%
TOTAL NET POSITION	\$ (4,765,253)	\$ 7,286,304	252.9%

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

Change in Net Position

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

Total revenues increased 25.7% from the previous year to \$54,870,085. Property taxes and state aid funding accounted for most of the District's revenue, representing 58.5 cents of each dollar raised. Another 38.9% came from federal and state aid for specific programs, and the remaining 2.6% came from fees charged for services and miscellaneous sources.

The total cost of all programs and services increased 15.5% to \$42,818,528. Revenues exceeded the District's expenses for the year by \$12,051,557. The District's expenses are primarily related to educating and caring for students (75.5%). Administrative activities of the District account for 6.9% of the total costs.

Years Ended June 30	Governmental Activities		Percentage Change 2022-23
	2022	2023	
REVENUES			
Program Revenues			
Charges for services	\$ 1,844,964	\$ 465,692	-74.8%
Operating grants and contributions	13,317,197	21,319,407	60.1%
General Revenues and Special Item			
State formula aid	10,199,908	12,719,649	24.7%
Property taxes	18,457,006	19,388,576	5.0%
Other	136,734	976,761	614.4%
SPECIAL ITEM: Loss on sale of capital assets	(287,446)	-	-100.0%
TOTAL REVENUES	43,668,363	54,870,085	25.7%
EXPENSES			
Instruction	20,875,151	22,709,089	8.8%
Instructional-related services	2,859,400	3,376,077	18.1%
Pupil services	4,617,543	6,235,827	35.0%
General administration	2,581,511	2,969,672	15.0%
Plant services	3,606,858	4,537,770	25.8%
Ancillary services	532,618	578,865	8.7%
Community services	6,351	3,000	-52.8%
Other outgo	317,244	380,191	19.8%
Interest on long-term debt	1,996,597	2,028,037	1.6%
TOTAL EXPENSES	37,393,273	42,818,528	14.5%
Change in Net Position	\$ 6,275,090	\$ 12,051,557	92.1%

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The District's governmental funds reported a combined fund balance of \$34,191,748, an increase of \$6,481,166 from the previous year. Following is a summary of the District's fund balances.

June 30	Fund Balance		Increase (Decrease)
	2022	2023	
General	\$ 20,678,753	\$ 26,381,284	\$ 5,702,531
Student Activity Special Revenue	54,522	60,044	5,522
Cafeteria Special Revenue	528,179	880,501	352,322
Building	573,820	580,259	6,439
Capital Facilities	2,306,517	2,704,503	397,986
Special Reserve Capital Projects	917,514	928,148	10,634
Bond Interest and Redemption	2,651,277	2,657,009	5,732
Totals	\$ 27,710,582	\$ 34,191,748	\$ 6,481,166

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 the Universal Meal Program funding through the State of California. This program allows for all students to eat breakfast and lunch for free and the State reimburses the District up to the federal reimbursable rate for a free meal.

The increase in the Capital Facilities Fund is due to developer fees exceeding expenditures.

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 \$3,230,824. However, actual results for the year reflected a surplus of \$5,702,531. 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.

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

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

The District has invested \$39,239,983 in capital assets including land, construction in progress, site improvements, buildings, equipment, and subscriptions. During the year, the District purchased three electric busses, resurfaced the high school track, and started District-wide HVAC replacements.

June 30	Governmental Activities		Percentage Change 2022-23
	2022	2023	
Land	\$ 341,760	\$ 341,760	0.0%
Construction in progress	-	2,280,255	N/A
Buildings and improvements	68,910,276	69,753,373	1.2%
Equipment and vehicles	5,520,053	7,059,457	27.9%
Leased equipment	430,768	430,768	0.0%
Subscription assets	-	484,062	N/A
Accumulated depreciation/amortization	(38,686,809)	(41,109,692)	6.3%
Totals	\$ 36,516,048	\$ 39,239,983	7.5%

Long-Term Debt

At year end, the District had \$73,304,478 in outstanding long-term debt. The change in long-term debt is due primarily to the increase in net pension liability. The District made normally scheduled payments on its general obligation bonds. The District has no plans to incur additional long-term debt in 2023-24.

June 30	Governmental Activities		Percentage Change 2022-23
	2022	2023	
General obligation bonds	\$ 29,131,288	\$ 27,282,047	-6.3%
Bond issue premiums	864,034	729,261	-15.6%
Capitalized interest	13,331,820	14,660,718	10.0%
Lease liability	322,928	219,519	-32.0%
Compensated absences	119,675	122,346	2.2%
Total OPEB liability	1,773,258	1,729,891	-2.4%
Net pension liability	17,528,886	28,560,696	62.9%
Totals	\$ 63,071,889	\$ 73,304,478	16.2%

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, and potential rate changes and increases in the percentage of employer contributions to the Public Employees' Retirement System: 25.37% in 2022-23, 26.68% in 2023-24, and 27.70% in 2024-25. 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, 2024, with the California School Employees Association bargaining group and through June 30, 2024, with the Gateway Teachers' Association bargaining group. The contracts allow for renegotiation of compensation issues each year. Fiscal year 2024-25 negotiations are not settled for all of the employee groups as of June 30, 2023.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

Basic Financial Statements

Gateway Unified School District

STATEMENT OF NET POSITION

June 30, 2023	Governmental Activities
ASSETS	
Cash and investments	\$ 34,068,782
Accounts receivable	110,346
Due from other governments	4,711,866
Inventories	49,331
Prepaid expenses	28,367
Lease receivables	149,261
Nondepreciated capital assets	2,622,015
Depreciated capital assets - net	36,025,856
Leased assets - net	215,384
Subscription assets - net	376,728
TOTAL ASSETS	78,357,936
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for pensions	8,299,980
Deferred outflows of resources for OPEB	573,143
Deferred loss on advance refunding	1,895,955
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,769,078
LIABILITIES	
Accounts payable and other current liabilities	3,151,533
Due to other governments	1,055,274
Advances from grantors	727,164
Long-term obligations:	
Due within one year	2,517,063
Due beyond one year	70,787,415
TOTAL LIABILITIES	78,238,449
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for leases	149,261
Deferred inflows of resources for pensions	3,284,092
Deferred inflows of resources for OPEB	168,908
TOTAL DEFERRED INFLOWS OF RESOURCES	3,602,261
NET POSITION	
Net investment in capital assets	(1,175,348)
Restricted for capital projects	3,284,762
Restricted for debt service	2,657,009
Restricted for educational programs	9,216,348
Restricted for other purposes	891,214
Unrestricted	(7,587,681)
TOTAL NET POSITION	\$ 7,286,304

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

Gateway Unified School District

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position - Governmental Activities
		Charges for Services	Operating Grants and Contributions	
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental activities:				
Instruction	\$ 22,709,089	\$ 231,342	\$ 14,110,509	\$ (8,367,238)
Instruction-related services	3,376,077	6,341	719,809	(2,649,927)
Pupil services	6,235,827	27,691	4,987,862	(1,220,274)
Ancillary services	578,865	9,748	87,954	(481,163)
Community services	3,000	-	-	(3,000)
General administration	2,969,672	8,303	949,137	(2,012,232)
Plant services	4,537,770	135,927	407,002	(3,994,841)
Other outgo	380,191	46,340	57,134	(276,717)
Interest on long-term debt	2,028,037	-	-	(2,028,037)
Total Governmental Activities	\$ 42,818,528	\$ 465,692	\$ 21,319,407	(21,033,429)
GENERAL REVENUES				
Property taxes - levied for general purposes				16,381,118
Property taxes - levied for debt service				2,527,947
Property taxes - levied for other specific purposes				479,511
Federal and state aid not restricted to specific purposes				12,719,649
Unrestricted investment earnings				149,795
Interagency revenues				160,900
Miscellaneous				666,066
Change in Net Position				12,051,557
Net Position - Beginning of Year				(4,765,253)
Net Position - End of Year				\$ 7,286,304

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

Gateway Unified School District
BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2023	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 26,735,897	\$ 7,332,885	\$ 34,068,782
Accounts receivable	99,249	11,097	110,346
Due from other governments	4,284,863	427,003	4,711,866
Inventories	-	49,331	49,331
Prepaid expenditures	28,367	-	28,367
Lease receivables	149,261	-	149,261
TOTAL ASSETS	\$ 31,297,637	\$ 7,820,316	\$ 39,117,953
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable and other current liabilities	\$ 2,984,654	\$ 9,852	\$ 2,994,506
Due to other governments	1,055,274	-	1,055,274
Advances from grantors	727,164	-	727,164
Total Liabilities	4,767,092	9,852	4,776,944
Deferred Inflows of Resources for Leases	149,261	-	149,261
Fund Balances			
Nonspendable	40,467	49,331	89,798
Restricted	9,216,348	6,832,985	16,049,333
Assigned	14,462,371	928,148	15,390,519
Unassigned	2,662,098	-	2,662,098
Total Fund Balances	26,381,284	7,810,464	34,191,748
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 31,297,637	\$ 7,820,316	\$ 39,117,953

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, 2023

Total Fund Balances - Governmental Funds	\$ 34,191,748
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Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

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

Capital assets at historical cost	\$ 80,349,675
Accumulated depreciation/amortization	(41,109,692)

Total Capital Assets - Net	39,239,983
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Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturred interest owed at the end of the period was:

(157,027)

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	42,672,026
Net pension liability	28,560,696
Total OPEB liability	1,729,891
Compensated absences	122,346
Lease liability	219,519
Deferred loss on debt refunding	(1,895,955)

Total Long-Term Liabilities	(71,408,523)
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Balance Forward	\$ 1,866,181
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The accompanying notes are an integral part of these financial statements.

Gateway Unified School District

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

June 30, 2023

Balance Brought Forward	\$ 1,866,181
 Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:	
Deferred outflows of resources relating to pensions	8,299,980
Deferred inflows of resources relating to pensions	(3,284,092)
 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	573,143
Deferred inflows of resources relating to OPEB	(168,908)
Total Net Position - Governmental Activities	\$ 7,286,304

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, 2023	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 16,381,118	\$ 2,527,947	\$ 18,909,065
Local control funding formula sources	12,015,981	-	12,015,981
Other state revenue	9,644,673	437,406	10,082,079
Federal revenue	9,135,738	1,789,565	10,925,303
Other local revenue	2,754,244	574,348	3,328,592
Total Revenues	49,931,754	5,329,266	55,261,020
Expenditures			
Current:			
Instruction	23,156,295	-	23,156,295
Instruction-related services	3,626,368	1,877,041	5,503,409
Pupil services	5,701,681	-	5,701,681
Ancillary services	520,747	70,751	591,498
Community services	3,000	-	3,000
General administration	2,967,870	59,532	3,027,402
Plant services	4,731,878	-	4,731,878
Transfers between agencies	380,191	-	380,191
Debt service:			
Principal	103,409	1,849,241	1,952,650
Interest and other charges	11,893	694,066	705,959
Capital outlay	3,025,891	-	3,025,891
Total Expenditures	44,229,223	4,550,631	48,779,854
Net Change in Fund Balances	5,702,531	778,635	6,481,166
Fund Balances - Beginning of Year	20,678,753	7,031,829	27,710,582
Fund Balances - End of Year	\$ 26,381,284	\$ 7,810,464	\$ 34,191,748

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, 2023

Total Net Change in Fund Balances - Governmental Funds	\$ 6,481,166
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Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives or their lease or subscription 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	\$ 5,146,818
Depreciation/amortization expense	(2,422,883)

Net Capital Outlay	2,723,935
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Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

	1,952,650
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Balance Forward	\$ 11,157,751
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The accompanying notes are an integral part of these financial statements.

Gateway Unified School District

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

(Continued)

Year Ended June 30, 2023

Balance Brought Forward	\$ 11,157,751
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:	(1,315,283)
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:	(2,671)
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:	2,299,315
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:	(80,760)
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:	(6,795)
Change in Net Position of Governmental Activities	\$ 12,051,557

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. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, as of July 1, 2022. This statement improves financial reporting by establishing a definition for SBITAs 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*. This statement has been applied as a cumulative effect of a change in accounting principle as of July 1, 2022. Upon analysis of the District's existing subscription agreements, it was determined that the resulting balances would be immaterial. As a result, the District has not recognized any initial right-to-use subscription assets or subscription liabilities during the current period, but has recognized current-year activity under this standard.

Financial Reporting Entity

The District's financial reporting entity comprises the following:

Primary government:

Gateway Unified School District

Blended component units:

Gateway Unified School District Financing Corporation

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

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

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

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

Blended Component Units

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

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

Basis of Presentation

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

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

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

Fund Financial Statements Fund financial statements 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. The fair value of the District's investment in the pool is based on the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The pool has deposits and investments with a weighted-average maturity of more than one year. As of June 30, 2023, the fair value of the County pool was 96.74% 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, 2023, was \$303,333. 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, 2023, was \$1,145,555.

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, 2023. 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, 2023. At June 30, 2023, 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 and subscription 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 leased assets is provided over the shorter of the lease period or the assets' estimated useful lives. Amortization for right-to-use subscription assets is provided for over the shorter of the subscription term or the useful life of the underlying asset. 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
Right-to-use subscriptions assets	3-10

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 and subscription 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.

Subscription-Based Information Technology Arrangements (SBITAs)

The District recognizes SBITAs for contracts that convey the control of the right to use another party's information technology (IT) assets, which may include applications or cloud storage, for greater than one year. The District recognizes subscription assets and liabilities with an initial, individual value of \$25,000 or more. At the commencement of a contract, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the commencement date of the subscription term, plus certain capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the IT asset's useful life or the term of the subscription.

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

- The District uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments.

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

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

Subscription assets are reported with other capital assets and subscription 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.

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.

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

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.

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.

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

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.

Interfund Transfers

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

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

2. CASH AND INVESTMENTS

The following is a summary of cash and investments:

June 30, 2023	Maturities	Fair Value
Deposits (1)	\$	65,030
Investments That Are Not Securities (2)		
County treasurer's investment pool	22.4 months average	34,003,752
Total Cash and Investments Per Government-Wide Statement of Net Position		\$ 34,068,782

- (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, 2023:

- County treasurer's investment pool of \$34,003,752 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, 2023	General Fund	Other Governmental Funds
Interest	\$ 2,594	\$ -
Other	96,655	11,097
Total	\$ 99,249	\$ 11,097

4. DUE FROM OTHER GOVERNMENTS

Due from other governments consisted of the following:

June 30, 2023	General Fund	Other Governmental Funds
Due From		
Federal government	\$ 2,902,512	\$ 353,836
State government	1,363,813	73,167
Local governments	18,538	-
Total	\$ 4,284,863	\$ 427,003

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

5. CAPITAL ASSETS

Capital assets activity is as follows:

Year Ended June 30, 2023	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Nondepreciated Capital Assets				
Land	\$ 341,760	\$ -	\$ -	\$ 341,760
Construction in progress	-	2,280,255	-	2,280,255
Total Nondepreciated Capital Assets	341,760	2,280,255	-	2,622,015
Depreciated Capital Assets				
Buildings and improvements	68,910,276	843,097	-	69,753,373
Equipment and vehicles	5,520,053	1,539,404	-	7,059,457
Total Depreciated Capital Assets	74,430,329	2,382,501	-	76,812,830
Less: Accumulated Depreciation				
Buildings and improvements	34,368,888	1,718,665	-	36,087,553
Equipment and vehicles	4,210,229	489,192	-	4,699,421
Total Accumulated Depreciation	38,579,117	2,207,857	-	40,786,974
Total Depreciable Capital Assets - Net	35,851,212	174,644	-	36,025,856
Leased Assets				
Equipment	430,768	-	-	430,768
Less: Accumulated amortization	107,692	107,692	-	215,384
Total Leased Assets - Net	323,076	(107,692)	-	215,384
Subscription Assets				
Subscriptions	-	484,062	-	484,062
Less: Accumulated amortization	-	107,334	-	107,334
Total Subscription Assets - Net	-	376,728	-	376,728
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS - NET	\$ 36,516,048	\$ 2,723,935	\$ -	\$ 39,239,983

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, 2023

Governmental Activities			
Instruction		\$	1,884,115
Instruction - related services			35,870
Pupil services			449,415
Ancillary services			2,507
General administration			45,405
Plant services			5,571
Total Depreciation/Amortization Expense - Governmental Activities		\$	2,422,883

6. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

		General Fund	Other Governmental Funds
June 30, 2023			
Vendors	\$	1,993,051	\$ 9,005
Salaries and benefits		990,815	788
Other		788	59
Total	\$	2,984,654	\$ 9,852

7. DUE TO OTHER GOVERNMENTS

Due to other governments consisted of the following:

		General Fund
June 30, 2023		
Due To		
State government	\$	933,681
Local governments		121,593
Total	\$	1,055,274

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

8. BONDED DEBT

The outstanding general obligation bonded debt is as follows:

Issue Date	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2022	Redeemed Current Year	Outstanding June 30, 2023
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	1,188,246	212,493	975,753
2013	1.13-6.27%	2040	6,300,281	223,934	114,027	109,907
2014	2.0-5.0%	2027	5,360,000	2,635,000	520,000	2,115,000
2017	2.0-5.25%	2042	2,800,000	2,750,000	-	2,750,000
2017	2.0-4.0%	2028	6,378,960	6,173,960	90,000	6,083,960
2020	3.5-4.0%	2028	475,000	465,000	-	465,000
2020	2.55-3.59%	2039	8,195,903	8,135,903	20,000	8,115,903
2021	0.87%	2024	2,741,277	2,304,277	892,721	1,411,556
Total			\$ 60,567,107	\$ 29,131,288	\$ 1,849,241	\$ 27,282,047

The amount of interest cost incurred during the year ended June 30, 2023, was \$2,003,949, 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
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	1,556,390	2,979,150
2028	1,504,122	1,581,403	3,085,525
2029-2033	5,135,596	12,203,349	17,338,945
2034-2038	6,081,935	14,057,505	20,139,440
2039-2043	7,600,144	9,195,014	16,795,158
Total	\$ 27,282,047	\$ 40,780,066	\$ 68,062,113

9. 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, 2023, were \$267,544.

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, 2023, were \$2,021,011.

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, 2023, was \$5,220,983.

10. LEASES

Lease Receivable

During 2021-22, the District (lessor) entered into an agreement with a third party (lessee), to lease school facilities. The lease agreement was for five years, through June 30, 2027. The agreement calls for annual payments of \$29,592, \$30,480, \$31,394, \$32,335, and \$33,305 for the 2022-23 through 2026-27 fiscal years, respectively. Conditions of the lease do not provide for variable payments.

For the year ended June 30, 2023, the District recognized \$24,010 in lease revenue and \$5,582 in interest revenue. There were no variable or other payments recognized for the year ended June 30, 2023, that were not previously included in the measurement of the lease receivable.

At June 30, 2023, the District holds a lease receivable and deferred inflows of resources for lease of \$115,548 related to this lease.

During 2021-22, the District (lessor) entered into an agreement with a third party (lessee), to lease school facilities for a term of two years, through June 30, 2024. The agreement calls for monthly payments of \$2,880 through July 2023, at which time the monthly payment increases to \$4,320. Conditions of the lease do not provide for variable payments.

For the year ended June 30, 2023, the District recognized \$31,685 in lease revenue and \$2,155 in interest revenue. There were no variable or other payments recognized for the year ended June 30, 2023, that were not previously included in the measurement of the lease receivable.

At June 30, 2023, the District holds a lease receivable and deferred inflows of resources for lease of \$33,713 related to this lease.

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

Lease Liability

In July 2019, the District entered into a six-year lease agreement as lessee for the acquisition and use of copiers. At June 30, 2023, the value of the lease liability was \$219,519. 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, 2023, was \$430,768 and had accumulated amortization of \$215,384. The amount of interest cost incurred during the year ended June 30, 2023, was \$11,893, all of which was charged to expenses. There were no variable or other payments recognized for the year ended June 30, 2023, 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
2024	\$ 107,586	\$ 7,715	\$ 115,301
2025	111,933	3,369	115,302
Total	\$ 219,519	\$ 11,084	\$ 230,603

11. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAS)

The District has entered into various subscription agreements for the use of information technology (IT) assets. At June 30, 2023, all charges had been paid up front therefore the District has no subscription liabilities. The subscriptions' useful life equals the term of the subscription. The value of the right-to-use subscription assets as of June 30, 2023, was \$484,062 and had accumulated amortization of \$107,334. There were no variable or other payments recognized for the year ended June 30, 2023.

12. CHANGES IN LONG-TERM DEBT

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

Year Ended June 30, 2023	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Compensated absences	\$ 119,675	\$ 2,671	\$ -	\$ 122,346	\$ -
General obligation bonds	29,131,288	-	1,849,241	27,282,047	1,948,438
Bond issue premiums	864,034	-	134,773	729,261	125,837
Capitalized interest	13,331,820	1,622,378	293,480	14,660,718	335,202
Lease liability	322,928	-	103,409	219,519	107,586
Total OPEB liability	1,773,258	-	43,367	1,729,891	-
Net pension liability	17,528,886	11,031,810	-	28,560,696	-
Total	\$ 63,071,889	\$ 12,656,859	\$ 2,424,270	\$ 73,304,478	\$ 2,517,063

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

13. FUND BALANCES COMPONENTS

Fund balances are composed of the following:

June 30, 2023	General Fund	Other Governmental Funds
Nonspendable		
Reserved for:		
Revolving cash	\$ 12,100	\$ -
Inventories	-	49,331
Prepaid expenditures	28,367	-
Total Nonspendable	\$ 40,467	\$ 49,331
Restricted		
Restricted for:		
Capital projects	\$ -	\$ 3,284,762
Debt service	-	2,657,009
Student activities	-	60,044
Federal and state categoricals	9,216,348	831,170
Total Restricted	\$ 9,216,348	\$ 6,832,985
Assigned		
Assigned for:		
Forest Reserve	\$ 797,909	\$ -
Additional concentration	418,605	-
Mandated costs	2,158,732	-
Lottery	1,099,735	-
Funding losses/future deficit	6,731,554	-
Special education	500,000	-
Technology infrastructure	593,842	-
Site specific fundraising	1,487,843	-
Deferred maintenance	250,000	-
OPEB obligation	424,151	-
Capital projects	-	928,148
Total Assigned	\$ 14,462,371	\$ 928,148
Unassigned		
Designated for economic uncertainties	\$ 2,662,098	\$ -

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

14. JOINT POWERS AUTHORITIES

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

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

15. COMMITMENTS AND CONTINGENCIES

Federal and State Allowances, Awards, and Grants

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

Construction Project Commitments

Construction project commitments are as follows:

	Remaining Construction Commitment
June 30, 2023	
Central Valley High School football field	\$ 117,900
District-wide HVAC replacement	814,912
Total	\$ 932,812

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.

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

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, 2023	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS State Teachers' Retirement Plan	\$ 14,402,921	\$ 3,567,166	\$ 2,494,630	\$ 586,878
CalPERS School Employer Pool	14,157,775	4,732,814	789,462	1,360,642
Total	\$ 28,560,696	\$ 8,299,980	\$ 3,284,092	\$ 1,947,520

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.

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.

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

- **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 2022-23 was 19.10% of annual payroll. The District's contributions to CalSTRS for the fiscal year ended June 30, 2023, were \$2,460,586.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2023, 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, 2023

District's proportionate share of the net pension liability	\$ 14,402,921
State's proportionate share of the net pension liability associated with the District	7,213,025
Total	\$ 21,615,946

The District's net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, 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, 2023, the District's proportion was 0.021%.

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, 2023, the District recognized pension expense of \$766,161 and revenue of \$766,161 for support provided by the state. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 11,815	\$ 1,079,741
Net difference between projected and actual earnings on pension plan investments	-	704,787
Change in assumptions	713,747	-
Changes in proportion and differences between District contributions and proportionate share of contributions	381,018	710,102
District contributions subsequent to the measurement date	2,460,586	-
Total	\$ 3,567,166	\$ 2,494,630

The \$2,460,586 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2024	\$ (300,707)
2025	(947,338)
2026	(1,087,976)
2027	1,024,284
2028	(84,674)
Thereafter	8,361
Total	\$ (1,388,050)

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

Actuarial Assumptions The total pension liability in the June 30, 2021, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
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, 2021, 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, 2022, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
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%
Total	100%	

Discount Rate The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers were made at statutory contribution rates in accordance with the 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.

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

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

June 30, 2023	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 24,461,502	\$ 14,402,921	\$ 6,051,275

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.

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 8.00% of their salary. Classic employees are required to contribute 7.00% of their salary. The required employer contribution rate for the 2022-23 fiscal year was 25.37%. The District's contributions to CalPERS for the fiscal year ended June 30, 2023, were \$1,786,249.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2023, the District reported a net pension liability of \$14,157,775 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, 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, 2023, the District’s proportion was 0.0411%.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 63,985	\$ 352,264
Net difference between projected and actual earnings on pension plan investments	1,671,648	-
Change in assumptions	1,047,312	-
Changes in proportion and differences between District contributions and proportionate share of contributions	163,620	437,198
District contributions subsequent to the measurement date	1,786,249	-
Total	\$ 4,732,814	\$ 789,462

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

The \$1,786,249 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2024	\$ 249,430
2025	524,035
2026	364,326
2027	1,019,312
Total	\$ 2,157,103

Actuarial Assumptions The total pension liability in the June 30, 2021, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by entry age and service
Investment rate of return	6.90%

Post-retirement mortality rates are based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 80% of Scale MP 2020 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, 2021, valuation were based on the results of an actuarial experience study for the period June 30, 2000, through June 30, 2019.

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

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term.

The tables below reflect long-term expected real rates of return by asset class.

Asset Class	Assumed Asset Allocation	Real Rate of Return
Global equity - cap-weighted	30%	4.54%
Global equity - non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	-5%	-0.59%
Total	100%	

Discount Rate The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.90%, 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 (5.90%) or one percentage point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
June 30, 2023			
District's proportionate share of the net pension liability	\$ 20,451,623	\$ 14,157,775	\$ 8,956,141

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 CalPERS' separately issued ACFR.

18. EARLY RETIREMENT INCENTIVE PROGRAM

The District did not enter into any early retirement incentive agreements during 2022-23, 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	48
Active plan members	286
Total	334

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%

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

For the fiscal year ended June 30, 2023, the District contributed \$217,272, representing premium payments on behalf of retired employees.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2023, using an annual actuarial valuation as of July 1, 2022, rolled forward to June 30, 2023, using standard update procedures. The June 30, 2023, 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, 2022
Measurement date	June 30, 2023
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation	2.50%
Salary increases	3.00%
Discount rate	3.86%
Healthcare cost trend rate - pre-65	5.20% ⁽¹⁾

(1) For fiscal year 2023, decreasing to an ultimate rate of 4.00% in 2065.

Mortality rates for certificated employees were based on the most recent experience study for CalSTRS members. Mortality rates for classified employees were based on the most recent experience study for CalPERS members.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.86%. The discount rate is based on the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

Changes in the Total OPEB Liability

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

Year Ended June 30, 2023	
Total OPEB Liability	
Service cost	\$ 115,830
Interest	66,014
Difference between expected and actual experience	34,677
Changes of assumptions	(42,616)
Benefit payments - including refunds of employee contributions	(217,272)
Net Change in Total OPEB Liability	(43,367)
Total OPEB Liability - Beginning of Year	1,773,258
Total OPEB Liability - End of Year	\$ 1,729,891
Covered-employee payroll	\$ 21,800,917
District's total OPEB liability as a percentage of covered-employee payroll	7.93%

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

The following presents the District's total OPEB liability calculated using the discount rate of 3.86%, as well as the District's total OPEB liability if it was calculated using a discount rate that is one percentage point lower (2.86%) or one percentage point higher (4.86%) than the current rate:

	1% Decrease (2.86%)	Current Discount Rate (3.86%)	1% Increase (4.86%)
June 30, 2023			
Total OPEB liability	\$ 1,822,554	\$ 1,729,891	\$ 1,641,112

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 (4.20%) or one percentage point higher (6.20%) than the current rate:

	1% Decrease (4.20%)	Health Cost Trend Rates (5.20%)	1% Increase (6.20%)
June 30, 2023			
Total OPEB liability	\$ 1,675,896	\$ 1,729,891	\$ 1,788,916

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, 2023, the District recognized OPEB expense of \$298,032. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 442,852	\$ -
Changes in assumptions	130,291	168,908
Total	\$ 573,143	\$ 168,908

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

Year Ending June 30	
2024	\$ 116,188
2025	116,188
2026	94,009
2027	55,612
2028	44,657
Thereafter	(22,419)
Total	\$ 404,235

20. SUBSEQUENT EVENTS

During 2023-24, the District purchased a replacement bus at a cost of \$200,545. The cost is expected to be partially offset by insurance proceeds, and the balance will be paid from reserves. The District also entered into two commitments as follows: LED field lighting at a cost of \$347,892 and fencing at a cost of \$192,250.

21. FUTURE GASB IMPLEMENTATION

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, 2023	Budgeted Amounts		Actual Amounts GAAP Basis	Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 13,261,604	\$ 14,276,607	\$ 16,381,118	\$ 2,104,511
Local control funding formula sources	12,561,592	13,874,704	12,015,981	(1,858,723)
Other state revenue	4,378,458	10,944,176	9,644,673	(1,299,503)
Federal revenue	8,167,311	9,574,532	9,135,738	(438,794)
Other local revenue	1,620,293	2,641,997	2,754,244	112,247
Total Revenues	39,989,258	51,312,016	49,931,754	(1,380,262)
Expenditures				
Certificated salaries	12,545,869	14,151,443	14,215,517	(64,074)
Classified salaries	6,444,319	7,341,848	7,020,157	321,691
Employee benefits	8,969,001	9,556,138	9,115,953	440,185
Books and supplies	2,022,840	3,319,223	2,206,898	1,112,325
Services and other operating	6,856,322	6,726,993	6,607,373	119,620
Capital outlay	2,529,560	6,737,998	4,622,194	2,115,804
Other outgo	120,821	184,020	325,829	(141,809)
Debt service:				
Principal	-	59,208	103,409	(44,201)
Interest and other charges	-	4,321	11,893	(7,572)
Total Expenditures	39,488,732	48,081,192	44,229,223	3,851,969
Net Change in Fund Balances	500,526	3,230,824	5,702,531	2,471,707
Fund Balances - Beginning of Year	20,678,753	20,678,753	20,678,753	-
Fund Balances - End of Year	\$ 21,179,279	\$ 23,909,577	\$ 26,381,284	\$ 2,471,707

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, 2023		General Fund
Certificated salaries	\$	64,074
Other outgo	\$	141,809
Debt service - principal	\$	44,201
Debt service - interest and other charges	\$	7,572

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	2023
Total OPEB Liability	
Service cost	\$ 115,830
Interest	66,014
Difference between expected and actual experience	34,677
Changes of assumptions	(42,616)
Benefit payments - including refunds of employee contributions	(217,272)
Net Change In Total OPEB Liability	(43,367)
Total OPEB Liability - Beginning of Year	1,773,258
Total OPEB Liability - End of Year	1,729,891
Covered-employee payroll	\$ 21,800,917
District's total OPEB liability as a percentage of covered-employee payroll	7.93%

Years Ended June 30	2022	2021	2020	2019	2018
Total OPEB Liability					
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)
Net Change In Total OPEB Liability	(254,989)	324,211	(306,214)	290,396	(128,307)
Total OPEB Liability - Beginning of Year	2,028,247	1,704,036	2,010,250	1,719,854	1,848,161
Total OPEB Liability - End of Year	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	2023				
Contractually required contribution	\$ 217,272				
Contributions in relation to the contractually required contribution	(217,272)				
Contribution Deficiency (Excess)	\$ -				
Covered-employee payroll	\$ 21,800,917				
Contributions as a percentage of covered-employee payroll	1.00%				

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)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-	\$	-	\$	-
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	2023	2022	2021	2020	
District's proportion of the net pension liability (asset)	0.021%	0.020%	0.020%	0.021%	
District's proportionate share of the net pension liability (asset)	\$ 14,402,921	\$ 9,219,211	\$ 19,586,487	\$ 18,966,360	
State's proportionate share of the net pension liability (asset) associated with the District	7,213,025	4,638,846	10,096,755	10,347,499	
Total	\$ 21,615,946	\$ 13,858,057	\$ 29,683,242	\$ 29,313,859	
District's covered-employee payroll	\$ 11,717,199	\$ 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	122.92%	81.14%	180.11%	172.14%	
Plan fiduciary net position as a percentage of the total pension liability	81.20%	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
Total	\$ 30,350,946	\$ 32,381,983	\$ 27,925,016	\$ 23,674,102	\$ 21,556,552
District's covered-employee payroll	\$ 11,604,782	\$ 11,670,183	\$ 10,963,886	\$ 10,551,351	\$ 10,418,339
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	166.31%	174.34%	162.29%	146.75%	129.01%
Plan fiduciary net position as a percentage of the total pension liability	71.00%	69.00%	70.00%	74.00%	77.00%

See the accompanying notes to the required supplementary information.

Gateway Unified School District

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

Years Ended June 30	2023	2022	2021	2020
Contractually required contribution	\$ 2,460,586	\$ 1,982,550	\$ 1,834,973	\$ 1,859,565
Contributions in relation to the contractually required contribution	(2,460,586)	(1,982,550)	(1,834,973)	(1,859,565)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 11,717,199	\$ 11,362,062	\$ 10,874,649	\$ 11,018,139
Contributions as a percentage of covered-employee payroll	21.00%	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)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 11,604,782	\$ 11,670,183	\$ 10,963,886	\$ 10,551,351	\$ 10,418,339
Contributions as a percentage of covered-employee payroll	15.46%	14.35%	13.39%	11.15%	8.99%

See the accompanying notes to the required supplementary information.

Gateway Unified School District

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

Years Ended June 30	2023	2022	2021	2020
District's proportion of the net pension liability (asset)	0.0411%	0.0409%	0.0402%	0.0455%
District's proportionate share of the net pension liability (asset)	\$ 14,157,775	\$ 8,309,675	\$ 12,328,957	\$ 13,257,720
District's covered-employee payroll	\$ 6,432,471	\$ 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	220.10%	137.50%	207.09%	205.84%
Plan fiduciary net position as a percentage of the total pension liability	69.80%	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	2023		2022		2021		2020	
Contractually required contribution	\$	1,786,249	\$	1,473,679	\$	1,250,984	\$	1,174,057
Contributions in relation to the contractually required contribution		(1,786,249)		(1,473,679)		(1,250,984)		(1,174,057)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	6,432,471	\$	6,043,401	\$	5,953,334	\$	6,440,726
Contributions as a percentage of covered-employee payroll		27.77%		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)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	6,365,392	\$	6,295,240	\$	5,572,415	\$	5,168,898	\$	4,878,133
Contributions as a percentage of covered-employee payroll		18.28%		15.70%		15.69%		12.77%		12.47%

See the accompanying notes to the required supplementary information.

Gateway Unified School District

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

1. TOTAL OPEB LIABILITY

Changes in Benefit Terms

There were no significant changes in benefit terms during the measurement period ended June 30, 2023.

Changes in Assumptions

For the measurement period ended June 30, 2023, the inflation rate changed from 2.75% to 2.50%, the discount rate was changed from 3.69% to 3.86%, and the healthcare cost trend rate changed from 6.00% to 5.20% to reflect changes in market conditions.

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, 2023.

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, 2022.

Changes in Assumptions

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

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, 2022.

Changes in Assumptions

On November 17, 2021, the CalPERS board adopted new actuarial assumptions based on the recommendations in the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases, and inflation assumptions. The discount rate and investment rate of return decreased from 7.15% to 6.90%. The inflation rate decrease from 2.50% to 2.30%. These new assumptions are incorporated into the June 30, 2021, valuation. In addition, the CalPERS board adopted new asset portfolios as part of its Asset Liability Management process.

OTHER SUPPLEMENTARY INFORMATION SECTION

Gateway Unified School District

LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE

June 30, 2023

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

GOVERNING BOARD

Name	Office	Term Expires
Elias Haynes	Clerk of the Board	2024
Lindsay Haynes	Vice President	2026
Phil Lewis	Trustee – Area 1	2026
Dale Wallace	Trustee – Area 2	2026
Vacant	Trustee	N/A

ADMINISTRATION

Steve Henson
Interim Superintendent

Beth Roberts
Director of Business Services

Gateway Unified School District

SCHEDULE OF CHARTER SCHOOLS

Year Ended June 30, 2023

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

	Charter Number
Rocky Point Charter School	#0849

See the accompanying note to the other supplementary information.

Gateway Unified School District
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 Year Ended June 30, 2023

	Originally Reported		Final	
	Second Period Report	Annual Report	Second Period Report	Annual Report
ELEMENTARY				
Regular ADA*				
Transitional kindergarten/ kindergarten through grade 3	586.44	591.53	586.44	591.53
Grades 4 through 6	434.65	433.80	434.65	433.80
Grades 7 through 8	266.38	266.41	266.38	266.41
Extended-Year Special Education				
Transitional kindergarten/ kindergarten through grade 3	-	2.24	-	2.24
Grades 4 through 6	-	0.38	-	0.38
Grades 7 through 8	-	0.43	-	0.43
Special Education - Nonpublic, Nonsectarian Schools				
Transitional kindergarten/ kindergarten through grade 3	0.60	0.44	0.60	0.44
Grades 4 through 6	0.54	0.40	0.54	0.40
Grades 7 through 8	0.60	0.44	0.60	0.44
Extended-Year Special Education Nonsectarian Schools				
Grades 4 through 6	0.14	0.14	0.14	0.14
Grades 7 through 8	0.16	0.16	0.16	0.16
Community Day School				
Grades 7 through 8	4.04	4.73	4.04	4.73
ELEMENTARY TOTALS	1,293.55	1,301.10	1,293.55	1,301.10

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

See the accompanying note to the other supplementary information.

Gateway Unified School District
SCHEDULE OF AVERAGE DAILY ATTENDANCE
(Continued)
Year Ended June 30, 2023

	Originally Reported		Final	
	Second Period Report	Annual Report	Second Period Report	Annual Report
HIGH SCHOOL				
Regular ADA*				
Grades 9 through 12	644.82	630.16	644.82	630.16
Extended-Year Special Education				
Grades 9 through 12	0.09	0.07	0.09	0.07
Special Education - Nonpublic, Nonsectarian Schools				
Grades 9 through 12	1.28	0.94	1.28	0.94
Extended-Year Special Education - Nonpublic, Nonsectarian Schools				
Grades 9 through 12	-	0.09	-	0.09
Community Day School				
Grades 9 through 12	10.15	9.72	10.15	9.72
HIGH SCHOOL TOTALS	656.34	640.98	656.34	640.98
ADA Totals	1,949.89	1,942.08	1,949.89	1,942.08

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

See the accompanying note to the other supplementary information.

Gateway Unified School District

SCHEDULE OF INSTRUCTIONAL TIME

Year Ended June 30, 2023

	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	58,520	179	340	1	58,860	180	N/A	Complied
Grade 1	50,400	180	54,940	179	320	1	55,260	180	N/A	Complied
Grade 2	50,400	180	54,940	179	320	1	55,260	180	N/A	Complied
Grade 3	50,400	180	54,045	179	315	1	54,360	180	N/A	Complied
Grade 4	54,000	180	54,940	179	320	1	55,260	180	N/A	Complied
Grade 5	54,000	180	54,940	179	320	1	55,260	180	N/A	Complied
Grade 6	54,000	180	57,070	179	350	1	57,420	180	N/A	Complied
Grade 7	54,000	180	60,388	179	350	1	60,738	180	N/A	Complied
Grade 8	54,000	180	60,388	179	350	1	60,738	180	N/A	Complied
Grade 9	64,800	180	65,020	179	380	1	65,400	180	N/A	Complied
Grade 10	64,800	180	65,020	179	380	1	65,400	180	N/A	Complied
Grade 11	64,800	180	65,020	179	380	1	65,400	180	N/A	Complied
Grade 12	64,800	180	65,020	179	380	1	65,400	180	N/A	Complied

*The District received an approved Form J-13A for one emergency closure day representing the number of instructional minutes indicated above.

See the accompanying note to the other supplementary information.

Gateway Unified School District
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

Years Ended June 30	(Budget) 2024	2023	2022	2021
General Fund				
Revenues and other financial sources	\$ 41,038,353	\$ 49,931,754	\$ 40,002,233	\$ 38,479,750
Expenditures	45,265,628	44,229,223	35,518,020	34,987,560
Other uses and transfers out	-	-	-	20,000
Total Outgo	45,265,628	44,229,223	35,518,020	31,874,984
Change in Fund Balance	(4,227,275)	5,702,531	4,484,213	3,472,190
Ending Fund Balance	\$ 22,154,009	\$ 26,381,284	\$ 20,678,753	\$ 16,194,540
Available reserves	\$ 3,330,750	\$ 2,662,098	\$ 1,071,948	\$ 6,269,491
Designated for economic uncertainties	\$ 1,365,319	\$ 2,662,098	\$ 1,071,948	\$ 6,269,491
Undesignated fund balance	\$ 1,965,431	\$ -	\$ -	\$ -
Available reserves as a percentage of total outgo	7%	6%	3%	18%
Total long-term debt	\$ 72,472,402	\$ 73,304,478	\$ 63,071,889	\$ 78,289,098
Average daily attendance at P-2	1,979	1,950	1,855	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 \$10,186,744 over the past two years. The fiscal year 2023-24 budget projects a decrease of \$4,227,275 (16.0%). For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has not incurred an operating deficit in any of the past three years and anticipates incurring an operating deficit during the 2023-24 fiscal year. Total long-term debt has decreased by \$4,984,620 over the past two years.

Average daily attendance has decreased by 127 over the past two years. Additional growth in ADA of 29 is anticipated during fiscal year 2023-24.

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, 2023

	General Fund	Cafeteria Special Revenue Fund	Building Fund	Capital Facilities Fund	Special Reserve Capital Projects Fund	Bond Interest and Redemption Fund
Annual Financial and Budget Report Fund Balance	\$ 25,055,473	\$ 856,219	\$ 551,395	\$ 2,569,974	\$ 881,980	\$ 2,524,843
Adjustments Increasing the Fund Balance						
Understatement of cash and investments	1,325,811	24,282	28,864	134,529	46,168	132,166
Audited Financial Statements Fund Balance	\$ 26,381,284	\$ 880,501	\$ 580,259	\$ 2,704,503	\$ 928,148	\$ 2,657,009

See the accompanying note to the other supplementary information.

Gateway Unified School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL PROGRAMS			
U.S. Department of Education			
Passed Through California Department of Education			
ESEA - Title I, Part A Grants			
ESEA - Title I, Part A, Basic Grants	84.010A	14329	\$ 1,118,210
ESEA - School Improvement Funding for LEAs	84.010	15438	768,078
Total ESEA - Title I, Part A Grants			1,886,288
Education Stabilization Fund			
COVID-19 - Elementary and Secondary School Emergency Relief III (ESSER) Fund: Learning Loss	84.425U	10155	965,688
COVID-19 - Elementary and Secondary School Emergency Relief III (ESSER) Fund	84.425D	15547	206,200
COVID-19 - Elementary and Secondary School Emergency Relief III (ESSER) Fund	84.425D	15559	4,292,721
COVID-19 - Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D	15618	26,511
COVID-19 - Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	54,281
COVID-19 - Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U	15620	86,545
COVID-19 - American Rescue Plan Homeless Children and Youth II (ARP HYC II)	84.425W	15566	11,993
Total Education Stabilization Fund			5,643,939
Vocational Programs - Vocational and Applied Technical Secondary IC, Section 131	84.048	14894	45,596
Special Education - IDEA Basic Local Assistance	84.027	13379	638,978
ESEA - Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	136,126
ESEA - Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	155,276
Direct Programs			
Indian Education - Grants to Local Educational Agencies	84.060		40,909
Total U.S. Department of Education			8,547,112
Subtotal Forward			\$ 8,547,112

See the accompanying note to the other supplementary information.

Gateway Unified School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL PROGRAMS			
Subtotal Brought Forward			\$ 8,547,112
U.S. Department of Agriculture Passed Through California Department of Education			
Child Nutrition Cluster			
School Breakfast	10.553	13390	317,660
National School Lunch	10.555	13391	1,300,879
Supply Chain Assistance for School Meals	10.555	15655	143,773
Nonmonetary Assistance			
Food Donation	10.555		90,202
Total Child Nutrition Cluster			1,852,514
COVID-19 - Pandemic EBT Local Administrative Grant	10.649	15644	3,063
Passed Through Shasta County Office of Education			
Schools and Roads - Grants to Counties	10.666	10044	127,435
Total U.S. Department of Agriculture			1,983,012
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 10,530,124

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, 2023. 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, 2023; 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, 2023.

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 2023-001, 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

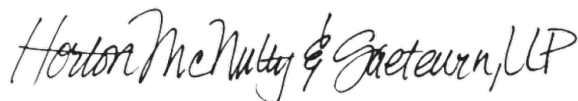
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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, 2023
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, 2023. 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, 2023.

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)

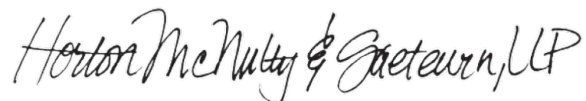
Report on Internal Control Over Compliance

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, 2023
Chico, California

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

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

Report on State Compliance

Qualified and Unmodified Opinions on State Compliance

We have audited the Gateway Unified School District's (the District) compliance with the requirements specified in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, as prescribed by Title 5, *California Code of Regulations*, Section 19810, applicable to the District's state program requirements identified below for the year ended June 30, 2023.

Qualified Opinion on Classroom Teacher Salaries

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the state compliance requirements applicable to classroom teacher salaries.

Unmodified Opinion on Each of the Other State Programs

In our opinion, the District complied, in all material respects, with the other laws and regulations of the state programs noted in the table on pages 90 and 91 for the year ended June 30, 2023.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS

(Continued)

Basis for Qualified and Unmodified Opinions

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 *2022-23 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 qualified and unmodified opinions on state compliance. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on Classroom Teacher Salaries

As described in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding classroom teacher salaries as described in item 2023-002. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to classroom teacher salaries.

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 COMPLIANCE FOR STATE PROGRAMS

(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 compliance 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 *2022-23 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 *2022-23 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 *2022-23 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 COMPLIANCE FOR STATE PROGRAMS**

(Continued)

June 30, 2023		Procedures Performed
Local Education Agencies Other than Charter Schools:		
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.	Ratio 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
TT.	Home to school transportation reimbursement	Yes
UU.	Independent study certification for ADA loss mitigation	Yes
School Districts, County Offices of Education, and Charter Schools:		
T.	California Clean Energy Jobs Act	No
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	No
AZ.	Educator effectiveness	Yes
BZ.	Expanded learning opportunities grant (ELO-G)	Yes
CZ.	Career technical education incentive grant	No
EZ.	Transitional kindergarten	Yes

**INDEPENDENT AUDITORS’ REPORT ON STATE COMPLIANCE AND ON
INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS**

(Continued)

June 30, 2023	Procedures Performed
Charter Schools:	
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. California Clean Energy Jobs Act (T) steps 1 and 2 were not performed because the District did not have any expenditures during 2022-23 from California Clean Energy Jobs Act funds. California Clean Energy Jobs Act (T) step 4 was not performed because the District had no final completion reports due during 2022-23. Testing for immunizations (Z) was not performed because the District did not include any schools that did not submit immunization assessment reports to the California Department of Public Health or that reported a high number of conditionally enrolled students.

Since the District did not participate in the following programs during 2022-23 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 is 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 COMPLIANCE FOR STATE PROGRAMS**

(Continued)

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.

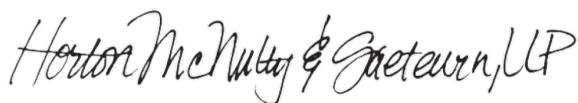
Report on Internal Control Over Compliance for State Programs

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.

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 *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



December 15, 2023
Chico, California

FINDINGS AND QUESTIONED COSTS SECTION

Gateway Unified School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

SECTION I
SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
AL No. 84.010 ESEA - Title I, Part A Grants	
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:	Qualified

Gateway Unified School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023
(Continued)

SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT

INTERNAL CONTROL (Student Body Accounts)
30000 (2023-001)

Significant Deficiency

Condition During our testing of student body accounts, we noted the following:

1. For 1 of 18 deposits tested, no reconciliation of ticket sales was provided. This related to a deposit at Shasta Lake School. As a result, timeliness and completeness of the deposit could not be determined.

Criteria Internal control procedures should be implemented to ensure that:

1. Supporting documentation should be kept to provide an audit trail regarding the source of the funds, from whom it was received, and when it was received.

Effect Without strengthening internal controls over cash receipts, 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 item noted appears systematic.

Cause Due to the decentralized nature of student body, certain policies and procedures were lost in training.

Repeat Finding This finding relates to item 2022-001 that was reported in the previous year and is listed in the Summary Schedule of Prior Audit Findings.

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 2023-24 to comply with the recommendation.

Gateway Unified School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023
(Continued)

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

None.

Gateway Unified School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2023

(Continued)

SECTION IV FINDINGS

STATE AWARDS AUDIT

CLASSROOM TEACHER SALARIES

61000 (2023-002)

Material Noncompliance

Condition The District is not in compliance with the required minimum percentage for payment of classroom teachers' compensation under *California Education Code*, Section 41372(b). The District's percentage of current expense of education for classroom teachers' compensation was 52.41% for the fiscal year ended June 30, 2023.

Criteria *California Education Code* Section 41732(b), requires the District to expend 55% or greater of the District's current expense of education for payment of classroom teachers' compensation.

Effect The current expense of education for the District was \$34,715,554, and classroom teachers' compensation was \$18,194,231, resulting in a deficiency of \$899,133.

Context This is an annual calculation.

Cause The cause of the noncompliance is an increasing amount of expenditures from unrestricted funds under the local control funding formula, which makes meeting the required minimum percentage for payment of classroom teachers' compensation more difficult.

Recommendation The District should implement procedures to ensure that a minimum of 55% of the current expense of education is for classroom teachers' compensation. We recommend that the District receive an exemption approval from the County Superintendent of Schools, or deposit the deficiency of \$899,133 with the County Superintendent of Schools. If no application for exemption is approved, the District should add the deficiency of \$899,133 to the amounts to be expended for compensation of classroom teachers during the next fiscal year.

Response The District has applied for an exemption with the County Superintendent of Schools, which is currently awaiting review.

Gateway Unified School District

CORRECTIVE ACTION PLAN

June 30, 2023

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

Gateway Unified School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2023

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 2020-21 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 2023-001).

Gateway Unified School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2023
(Continued)

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:

Grade	K
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.

Current Status Fully implemented.

Gateway Unified School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2023
(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.

Current Status Fully implemented.