

GATEWAY SCHOOL DISTRICT

MONROEVILLE, PENNSYLVANIA

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

GATEWAY SCHOOL DISTRICT
YEAR ENDED JUNE 30, 2023

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Independent Auditor's Report

Board of Directors
Gateway School District
9000 Gateway Campus Boulevard
Monroeville, Pennsylvania 15146

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of GATEWAY SCHOOL DISTRICT, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise GATEWAY SCHOOL DISTRICT'S basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, and each major fund of GATEWAY SCHOOL DISTRICT as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows 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). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GATEWAY SCHOOL 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.

Responsibilities of Management for the Financial Statements

GATEWAY SCHOOL 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.

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 GATEWAY SCHOOL 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.

Auditor's 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 auditor's 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 will always detect a material



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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, 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 GATEWAY SCHOOL 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 GATEWAY SCHOOL 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance-general fund-budget and actual, and schedule of changes in the district's total OPEB liability and related ratios, schedule of district's proportionate share of the net OPEB Liability-PSERS plan, schedule of the district's OPEB contributions-PSERS plan, schedule of district's proportionate share of the net pension liability-last 10 years, schedule of the district's contributions retiree health plan-last 10 years, and related ratios information as listed as required supplementary information on the table of contents be presented to supplement the basic financial statements.



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Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2024, on our consideration of GATEWAY SCHOOL 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 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 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 GATEWAY SCHOOL DISTRICT'S internal control over financial reporting and compliance.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

March 14, 2024
Pittsburgh, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

The discussion and analysis of the Gateway School District's (District) financial performance provides an overall review of the District's financial activities for the fiscal years ended June 30, 2023 and 2022. The intent of this discussion is to look at the District's financial performance as a whole. Readers should also review the notes to the basic financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information for the fiscal years ended June 30, 2023 and 2022 has been included, for it is required to be presented as a part of the MD&A.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand the District as a financial whole or an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and the Statement of Activities (on pages 13 through 14) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most financially significant funds.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the District as a whole begins on page 6. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the current year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and the changes in net position. The District's net position, the difference between the District's assets, deferred outflows, deferred inflows, and liabilities are one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating, respectively. The causes of this change may be the result of many factors, some financial, some not. To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

Governmental Activities: Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of facilities, pupil transportation, debt service, and extracurricular activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023

Business-Type activities: These services are provided on a charge for goods or services basis to attempt to recover all of the expenses of the goods or services provided. For the fiscal years ended June 30, 2023 and 2022 the District's food service operation is reported as a business-type activity.

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds begins on page 9. The fund financial statements begin on page 15 and provide detailed information about the most significant funds or major funds – not the District as a whole. The District's major governmental funds are the General Fund, the Construction Fund, Student Sponsored Activity Fund, and the Food Service Fund. The District's two kinds of funds (governmental and proprietary) use different accounting approaches.

Governmental Funds: Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the services it provides. Government fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's educational programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds as a reconciliation in the financial statements.

Proprietary Funds: This type of fund is used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023

THE DISTRICT AS A WHOLE

The District's total net position was (\$76,972,700) at June 30, 2023 or an decrease of \$9,886,186 or 11.35% over the prior fiscal year.

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Assets and deferred outflows:						
Current assets	\$ 36,442,939	\$ 52,698,872	\$ 1,520,159	\$ 1,260,881	\$ 37,963,098	\$ 53,959,753
Noncurrent assets	81,708,014	63,415,645	173,249	207,807	81,881,263	63,623,452
Deferred outflows of resources	<u>19,871,807</u>	<u>20,295,104</u>	<u>359,912</u>	<u>382,256</u>	<u>20,231,719</u>	<u>20,677,360</u>
Total assets and deferred outflows of resources	<u>138,022,760</u>	<u>136,409,621</u>	<u>2,053,320</u>	<u>1,850,944</u>	<u>140,076,080</u>	<u>138,260,565</u>
Liabilities and deferred outflows:						
Current liabilities	11,894,142	12,181,717	(18,492)	(92,296)	11,875,650	12,089,421
Noncurrent liabilities	196,830,341	191,622,428	2,115,031	1,993,274	198,945,372	193,615,702
Deferred inflows of resources	<u>6,103,202</u>	<u>19,296,587</u>	<u>124,556</u>	<u>377,348</u>	<u>6,227,758</u>	<u>19,673,935</u>
Total liabilities and deferred inflows of resources	<u>214,827,685</u>	<u>223,100,732</u>	<u>2,221,095</u>	<u>2,278,326</u>	<u>217,048,780</u>	<u>225,379,058</u>
Net position:						
Invested in capital assets	17,125,634	(15,882,892)	173,249	207,807	17,298,883	(15,675,085)
Restricted	114,499	126,244	-	-	114,499	126,244
Unrestricted	<u>(94,045,058)</u>	<u>(70,934,463)</u>	<u>(341,024)</u>	<u>(635,189)</u>	<u>(94,386,082)</u>	<u>(71,569,652)</u>
Total net position	<u>(76,804,925)</u>	<u>(86,691,111)</u>	<u>(167,775)</u>	<u>(427,382)</u>	<u>(76,972,700)</u>	<u>(87,118,493)</u>
Total liabilities and deferred inflows of resources and net position	<u>\$ 138,022,760</u>	<u>\$ 136,409,621</u>	<u>\$ 2,053,320</u>	<u>\$ 1,850,944</u>	<u>\$ 140,076,080</u>	<u>\$ 138,260,565</u>

Most of the District's net position is invested in capital assets (land, buildings, and equipment). The remaining unrestricted net position is a combination of committed and unassigned amounts. The restricted net position is a combination of two scholarship funds and two student sponsored activity funds, the restricted cash amount in the general fund, and then the restricted amount for the construction fund to work on various projects.

The results of the operations as a whole for the years ended June 30, 2023 and 2022 are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the local taxes assessed to community taxpayers and the Basic Education Subsidy provided by the Commonwealth of Pennsylvania (Commonwealth). Table 2 takes the information from that Statement, rearranges it slightly, so you can see our total revenues for the fiscal years ended June 30, 2023 and 2022 and 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023

Table 2
Changes in Net Position
For the Years Ended June 30,

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues	\$ 14,793,812	\$ 16,319,816	\$ -	\$ -	\$ 14,793,812	\$ 16,319,816
General revenues:						
Property taxes, net	53,612,998	49,044,219	-	-	53,612,998	49,044,219
Other taxes, net	8,119,637	7,456,341	-	-	8,119,637	7,456,341
Grants, subsidies, and contributions, unres.	9,889,484	9,453,029	2,659,142	2,607,171	12,548,626	12,060,200
Investment earnings	717,252	14,948	19,962	444	737,214	15,392
Charges for services	-	-	73,391	105,364	73,391	105,364
Capital grants and contributions	175,792	274,328	-	-	175,792	274,328
Community services	-	-	-	-	-	-
Miscellaneous income	223,363	227,419	-	-	223,363	227,419
Total revenues	<u>87,532,338</u>	<u>82,790,100</u>	<u>2,752,495</u>	<u>2,712,979</u>	<u>90,284,833</u>	<u>85,503,079</u>
Expenses:						
Instruction	51,082,928	49,613,277	-	-	51,082,928	49,613,277
Instructional student support	19,511,906	21,962,419	-	-	19,511,906	21,962,419
Administrative and financial support services	1,362,438	1,306,161	-	-	1,362,438	1,306,161
Operation and maintenance of plant services	3,167,066	1,583,943	-	-	3,167,066	1,583,943
Pupil transportation	170,612	164,943	-	-	170,612	164,943
Student activities	271,691	261,378	-	-	271,691	261,378
Community service	1,833	1,633	-	-	1,833	1,633
Debt service	2,077,679	2,028,018	-	-	2,077,679	2,028,018
Food services	-	-	2,492,888	2,146,710	2,492,888	2,146,710
Total expenses	<u>77,646,152</u>	<u>76,921,772</u>	<u>2,492,888</u>	<u>2,146,710</u>	<u>80,139,040</u>	<u>79,068,482</u>
Increase (decrease) in net position	9,886,186	5,868,328	259,607	566,269	10,145,793	6,434,597
Net position (deficit) July 1	<u>(86,691,111)</u>	<u>(92,559,439)</u>	<u>(427,382)</u>	<u>(993,651)</u>	<u>(87,118,493)</u>	<u>(93,553,090)</u>
Net position (deficit) June 30	<u><u>\$ (76,804,925)</u></u>	<u><u>\$ (86,691,111)</u></u>	<u><u>\$ (167,775)</u></u>	<u><u>\$ (427,382)</u></u>	<u><u>\$ (76,972,700)</u></u>	<u><u>\$ (87,118,493)</u></u>

The tables above present the expenses of both the Governmental Activities and the Business-type Activities of the District.

Table 3 shows the District's largest functions: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, student activities, community services, bond issuance costs, interest on long-term debt, food service as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023

Table 3
Governmental Activities
For the Years Ended June 30, 2023 and 2022

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Instruction	\$ 51,082,928	\$ 49,613,277	\$ 47,159,935	\$ 43,693,192
Instructional student support	19,511,906	\$ 21,962,419	13,257,162	16,101,472
Administrative and financial support services	1,362,438	\$ 1,306,161	220,814	(228,809)
Operation and maintenance of plant services	3,167,066	\$ 1,583,943	3,167,066	1,583,943
Pupil transportation	170,612	\$ 164,943	(3,209,659)	(2,779,741)
Student activities	271,691	261,378	177,511	202,248
Community Service	1,833	1,633	1,833	1,633
Debt service	2,077,679	2,028,018	1,901,887	1,753,690
Total governmental Activities	\$ 77,646,152	\$ 76,921,772	62,676,548	60,327,628
Less: Unrestricted grants, subsidies			(9,889,484)	(9,453,029)
Total needs from local taxes and other revenues			\$ 52,787,064	\$ 50,874,599

Table 4 reflects the activities of the Food Service program, the only Business-Type activity of the District.

Table 4
Business-Type Activities
For the Years Ended June 30, 2023 and 2022

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net cost of Services</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Food Services	<u>\$2,492,888</u>	<u>\$2,146,710</u>	\$ (239,645)	\$ (565,825)
Less:				
Investment Earnings			(19,962)	(444)
Total business-type activities			\$ (259,607)	\$ (566,269)

The Statement of Revenues, Expenses, and Changes in Fund Net Position for this proprietary fund will further detail the actual results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023

THE DISTRICT'S FUNDS

At June 30, 2023, the District's governmental funds reported a combined fund balance of \$27,099,431 which is a net decrease of \$17,964,933 or 39.87% decrease from the prior fiscal year. The primary reason for this net decrease is specific to two funds:

General Fund:

The District's General Fund Balance increased by the net amount of \$1,905,471, due to the fact that this year the revenue increased compared to last year from Local and State Source Revenue. There was more funding with the basic education funding and retirement funding.

The District's Construction Fund Balance decreased by the net amount of \$19,862,391 due to the fact that this year there was an increase in expenditures due to a new turf at the high school and continuation of construction at the middle school.

General Fund Budget

On June 13, 2023, the Gateway Board of School Directors (Board) passed the 2023-2024 General Fund Budget. The real estate tax millage rate increased from 21.7479 mills by 1.1091 mills or 4.85% to 22.8570 mills for the 2023-2024 fiscal year. 1.1091 mills of real estate taxes is worth approximately \$2,641,508 for the District.

The District applies for various federal, state, and local grants, and the actual amount of these grants to be received cannot always be accurately anticipated and reflected in the budgeting process.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2023, the District had total capital assets of \$152,399,326 invested in a broad range of capital assets, including land, buildings, and furniture and fixtures with the majority of that total, \$89,110,245 invested in buildings and building improvements. The recognition of the current year depreciation and the prior fiscal year accumulated depreciation in the District's financial statements results in total net capital assets of \$81,881,263 or an increase of 28.85% over the prior fiscal year. \$34,198,435 of Construction in Progress for the 2022-2023 fiscal year, and is primarily related to the current Gateway Middle School Building and Grounds Renovation Project.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023

Table 5
All Activities
Capital Assets-Net of Depreciation
For the Years Ended June 30, 2023 and 2022

<u>Capital Asset</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 4,281,588	\$ 4,281,588	\$ -	\$ -	\$ 4,281,588	\$ 4,281,588
Construction in Progress	34,198,435	13,620,529	-	-	34,198,435	13,620,529
Land Improvements	2,669,855	2,937,904	-	-	2,669,855	2,937,904
Buildings	6,627,275	6,939,548	-	-	6,627,275	6,939,548
Building Improvements	33,238,016	34,794,063	-	-	33,238,016	34,794,063
Furniture and Fixtures	<u>692,845</u>	<u>842,013</u>	<u>173,249</u>	<u>207,807</u>	<u>866,094</u>	<u>1,049,820</u>
Total capital assets	<u>\$81,708,014</u>	<u>\$63,415,645</u>	<u>\$ 173,249</u>	<u>\$ 207,807</u>	<u>\$81,881,263</u>	<u>\$63,623,452</u>

As of July 1, 2022, the District had total outstanding general obligation bonds of \$77,715,000. The District made total payments (\$3,080,000) against the principal balance on the Refunding Series of 2012 General Obligation Bonds, the Refunding Series of 2016 General Obligation Bonds, the Refunding Series of 2020 General Obligation Bonds, and the Series 2021 Bonds during the 2022-2023 fiscal year. The resulting net ending outstanding general obligation bond balance at June 30, 2023 is \$74,635,000 as depicted in Table 6 below.

Table 6
Outstanding Debt
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
General Obligation Bonds:		
Bonds, Refunding Series of 2012	\$ -	\$885,000
Bonds, Refunding Series of 2016	10,630,000	12,615,000
Bonds, Refunding Series of 2020	22,755,000	22,960,000
Bonds, Series of 2021	<u>41,250,000</u>	<u>41,255,000</u>
Total General Obligation Bonds	<u>74,635,000</u>	<u>77,715,000</u>
Total Outstanding Debt:	<u>\$74,635,000</u>	<u>\$77,715,000</u>

Other obligations of the District include accrued vacation pay and sick leave for specific employees of the District. Additional detailed information about the District's long-term liabilities is included in Note 7 to the financial statements. Detailed information regarding the District's net OPEB Liability of \$18,543,790 at June 30, 2023 is included in Note 13 to the financial statements. Detailed information regarding the District's net pension liability of \$102,921,941 at June 30, 2023 is included in Note 8 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023

DEBT SERVICE, ECONOMIC FACTORS, NEXT YEAR'S BUDGET, AND REAL ESTATE TAX MILLAGE RATE

On September 25, 2003, the District increased the amount of its debt or bonds payable by \$30,500,000. This additional General Obligation Bond debt was known as the Series of 2003 bond issue. The additional debt was incurred by the District to fund the construction renovations at the Gateway High School Stadium that began during the 2002-2003 school year and to fund the construction renovations and additions to the Gateway High School which were completed during the 2005-2006 fiscal year.

On January 9, 2007, the District advance refunded the Series of 1997 General Obligation Bonds and replaced them with the Refunding Series of 2007 General Obligation Bonds in the amount of \$29,490,000. The net proceeds from this transaction in the amount of \$2,135,544 have been fully utilized by the District for various capital improvements to the Dr. Cleveland Steward, Jr. Elementary School which were completed during the 2009-2010 fiscal year.

On May 1, 2012, the District advance refunded the Series of 2003 General Obligation Bonds and replaced them with the Refunding Series of 2012 General Obligation Bonds in the amount of \$29,490,000. The net proceeds from this transaction in the amount of \$1,612,064 were utilized by the District for various capital improvements to the school buildings and grounds throughout the District. The various capital improvements were completed during the 2014-2015 fiscal year.

The District previously borrowed \$2,772,000 from PNC Equipment Finance LLC during the 2013-2014 fiscal year for the acquisition and replacement of various types of computer and technological equipment throughout the District. This Technology Loan was paid in full by the District in June 2016.

On October 26, 2016, the District refunded a portion (except for \$1,340,000) of the outstanding Refunding Series of 2007 General Obligation Bonds and replaced them with the Series of 2016 (Federally Taxable) General Obligation Bonds in the amount of \$18,845,000. The District elected to realize the savings from this bond refinancing in the form of debt service reduction instead of solely utilizing the net proceeds option from the transaction for various capital improvements to the District's school buildings and grounds as was utilized during the District's two previous bond refinancings as explained above.

On January 30, 2020, the District refunded a portion (except for \$2,540,000) of the outstanding Refunding Series of 2012 General Obligation Bonds and replaced them with the Series of 2020 (Federally Taxable) General Obligation Bonds in the amount of \$23,570,000. The District elected to realize the savings from this bond refinancing in the form of debt service reduction over the entire remaining life of the outstanding bonds instead of merely utilizing the debt service reduction by reducing debt service payments over the first couple of years of applicable debt service payments or by utilizing the net proceeds cash-out option from the transaction to directly fund various capital improvements to the District's school buildings and grounds as was utilized during two of the District's previous bond refinancings as explained above.

On June 22, 2021, the District issued the Series of 2021 General Obligation Bonds in the amount of \$41,260,000. The additional debt was incurred by the District to fund the Gateway Middle School Building and Grounds Renovation Project as well as to fund the Gateway High School Athletic Field Renovation Project. After receipt of the net bond proceeds, the District's Construction Fund reimbursed the District's General Fund for the previously loaned amounts incurred by the District during the 2019-2020 fiscal year and during the 2020-2021 fiscal year for previously paid Architect design fees associated with the Gateway Middle School Building and Grounds Renovation Project.

The District has been experiencing some residential and commercial construction growth throughout the Municipality of Monroeville. However, it is very difficult to determine the exact dollar impact on the District's real estate tax base. Any increases in the District's real estate tax revenue have been further complicated by the District's refund of previously received real estate taxes through the Allegheny County property assessment appeal process. The District budgeted \$0 for the refund of prior years' real estate tax revenue receipts due to the great difficulty in determining the exact dollar impact as well as the exact timing of any

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023

actual real estate taxpayer refunds related to successful real estate taxpayer assessment appeals. The District has also budgeted \$0 for the refund of prior years' real estate tax revenue receipts during the 2023-2024 fiscal year.

The General Fund Revenue Budget for the 2023-2024 fiscal year is \$96,247,000 and represents a net increase of \$8,568,000 more than the 2022-2023 fiscal year revenue budget. This results in a net increase of .10% in budgeted revenues for the 2023-2024 fiscal year. The majority of the remaining net increase in budgeted revenues is from the District's budgeted receipt of \$4,448,234 in ESSER III (ARP) funding.

On November 25, 2014, the District completed and filed a Municipalities Continuing Disclosure Cooperation Initiative Questionnaire for Self-Reporting Entities with the U.S. Securities and Exchange Commission (SEC) in regards to bond continuing disclosure obligations. The District has retained Digital Assurance Certification (DAC) to assist the District in fulfilling its continuing disclosure obligations both in the future and with respect to any potentially delinquent filings. In addition, on January 28, 2015 the District adopted a Municipal Securities Post-Issuance Disclosure Policy for District compliance with the SEC's Rule 15c-12 for outstanding bond issues. On March 3, 2017, the District received an e-mail response from the SEC to the Questionnaire stating, "We have concluded our review of the submission pursuant to the Municipalities Continuing Disclosure Cooperation Initiative from Gateway SD Allegheny County. Based on the information we have as of this date, we do not intend to recommend an enforcement action by the Commission against Gateway SD Allegheny County."

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our District financial report is designed to provide all of our internal and external stakeholders including but not limited to our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or wish to request additional information, please contact Mike Zourelis, Business Manager/Board Treasurer at the Gateway School District, Administration Offices, 9000 Gateway Campus Boulevard, Monroeville, PA 15146-3377, Phone Number: (412) 373-5712, e-mail: mzourelis@gatewayk12.org

GATEWAY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

Assets	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and Cash Equivalents	\$ 28,937,857	\$ 1,387,497	\$ 30,325,354
Restricted Cash and Cash Equivalents	939,389	-	939,389
Taxes Receivable	1,150,416	-	1,150,416
Due from Other Governments	4,166,163	-	4,166,163
Other Receivables	550,341	-	550,341
Prepaid Expenses	698,773	-	698,773
Inventories	-	132,662	132,662
Capital assets:			
Non-depreciable	38,480,023	-	38,480,023
Depreciable (net)	43,227,991	173,249	43,401,240
Total Assets	118,150,953	1,693,408	119,844,361
Deferred Outflows of Resources			
Deferred Loss on Refunding Debt	1,918,484	-	1,918,484
Deferred Outflows Related to Pensions	15,255,642	311,474	15,567,116
Deferred Outflows Related to OPEB	2,697,681	48,438	2,746,119
Total Deferred Outflows of Resources	19,871,807	359,912	20,231,719
Total Assets and Deferred Outflows	\$ 138,022,760	\$ 2,053,320	\$ 140,076,080
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 3,506,040	\$ 27,145	\$ 3,533,185
Accrued Wages and Benefits	4,548,600	-	4,548,600
Accrued Interest on Debt	541,050	-	541,050
Unearned Revenue	35,405	57,410	92,815
Internal Balances	103,047	(103,047)	-
Current Portion of Long-Term Liabilities:			
Bonds Payable	3,160,000	-	3,160,000
Non-Current Portion of Long-Term Liabilities			
Bonds Payable	71,475,000	-	71,475,000
Other Post Employment Benefits	18,525,906	17,884	18,543,790
Compensated Absences	2,373,890	38,708	2,412,598
Premiums on Bonds (net)	3,592,043	-	3,592,043
Net Pension Liability	100,863,502	2,058,439	102,921,941
Total Liabilities	208,724,483	2,096,539	210,821,022
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	3,361,663	68,606	3,430,269
Deferred Inflows Related to OPEB	2,741,539	55,950	2,797,489
Total Deferred Inflows of Resources	6,103,202	124,556	6,227,758
Net Position			
Net Investment in Capital Assets	17,125,634	173,249	17,298,883
Restricted	114,499	-	114,499
Unrestricted	(94,045,058)	(341,024)	(94,386,082)
Total Net Position (Deficit)	(76,804,925)	(167,775)	(76,972,700)
Total Liabilities, Deferred Inflows, and Net Position (Deficit)	\$ 138,022,760	\$ 2,053,320	\$ 140,076,080

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

GATEWAY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 51,082,928	\$ -	\$ 3,922,993	\$ -	\$ (47,159,935)	\$ -	\$ (47,159,935)
Instructional Student Support	19,511,906	-	6,254,744	-	(13,257,162)	-	(13,257,162)
Administrative and Financial Support Services	1,362,438	-	1,141,624	-	(220,814)	-	(220,814)
Operation and Maintenance of Plant Services	3,167,066	-	-	-	(3,167,066)	-	(3,167,066)
Pupil Transportation	170,612	-	3,380,271	-	3,209,659	-	3,209,659
Student Activities	271,691	-	94,180	-	(177,511)	-	(177,511)
Community Services	1,833	-	-	-	(1,833)	-	(1,833)
Interest on Long-Term Debt	2,077,679	-	-	175,792	(1,901,887)	-	(1,901,887)
Total Government Activities	77,646,152	-	14,793,812	175,792	(62,676,548)	-	(62,676,548)
Business-Type Activities:							
Food Services	2,492,888	73,391	2,659,142	-	-	239,645	239,645
Total Primary Government	\$ 80,139,040	\$ 73,391	\$ 17,452,954	\$ 175,792	(62,676,548)	239,645	(62,436,903)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					53,612,998	-	53,612,998
Public Utility, Realty, Earned Income and Mercantile Taxes Levied for General Purposes					8,119,637	-	8,119,637
Grants, Subsidies, and Contributions Not Restricted					9,889,484	-	9,889,484
Investment Earnings					717,252	19,962	737,214
Miscellaneous Income					223,363	-	223,363
Total General Revenues					72,562,734	19,962	72,582,696
Change in Net Position					9,886,186	259,607	10,145,793
Net Position (Deficit) - Beginning					(86,691,111)	(427,382)	(87,118,493)
Net Position (Deficit) - Ending					\$ (76,804,925)	\$ (167,775)	\$ (76,972,700)

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

GATEWAY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Construction Fund	Student Sponsored Activity Fund	Total Governmental Funds
<u>Assets</u>				
Cash and Cash Equivalents	\$ 16,287,031	\$ 12,552,985	\$ 97,841	\$ 28,937,857
Restricted Cash	17,134	922,255	-	939,389
Taxes Receivable (Net)	1,150,416	-	-	1,150,416
Due From Other Governments	4,166,163	-	-	4,166,163
Prepaid Expenditures	698,773	-	-	698,773
Other Receivables	550,341	-	-	550,341
 Total Assets	 22,869,858	 13,475,240	 97,841	 36,442,939
<u>Liabilities</u>				
Due to Other Funds	103,047	-	-	103,047
Accounts Payable	1,756,503	1,749,061	476	3,506,040
Accrued Salaries and Benefits	4,548,600	-	-	4,548,600
Unearned Revenue	35,405	-	-	35,405
 Total Liabilities	 6,443,555	 1,749,061	 476	 8,193,092
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue-Property Taxes	1,150,416	-	-	1,150,416
 Total Deferred Inflows of Resources	 1,150,416	 -	 -	 1,150,416
<u>Fund Balances</u>				
Nonspendable	698,773	-	-	698,773
Restricted	17,134	11,726,179	97,365	11,840,678
Committed	4,527,000	-	-	4,527,000
Unassigned	10,032,980	-	-	10,032,980
 Total Fund Balances	 15,275,887	 11,726,179	 97,365	 27,099,431
 Total Liabilities, Deferred Inflows, and Fund Balances	 \$ 22,869,858	 \$ 13,475,240	 \$ 97,841	 \$ 36,442,939

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

GATEWAY SCHOOL DISTRICT
RECONCILIATION GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances of governmental funds		\$ 27,099,431
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$151,190,503 and the accumulated depreciation is \$69,482,489.		81,708,014
Taxes receivable will be collected, but are not available soon enough to pay for current year's expenditures, and therefore are deferred in the Governmental Funds.		1,150,416
Long-term liabilities and related deferrals such as debt, accrued interest, and compensated absences are not due and payable in the current period and accordingly are not reported as fund liabilities. Both current and long-term liabilities are reported in the Statement of Net Position.		
Bonds Payable	\$ (74,635,000)	
Bond Premium	(3,592,043)	
Loss on Bond Refunding	1,918,484	
Accrued Interest	(541,050)	
Other Post Employment Benefits	(18,525,906)	
Deferred Outflows Related to Pensions	15,255,642	
Deferred Outflows Related to OPEB	2,697,681	
Deferred Inflows Related to Pensions	(3,361,663)	
Deferred Inflows Related to OPEB	(2,741,539)	
Net Pension Liability	(100,863,502)	
Compensated Absences	<u>(2,373,890)</u>	<u>(186,762,786)</u>
Total net position of governmental activities		<u>\$ (76,804,925)</u>

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

GATEWAY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>General Fund</u>	<u>Construction Fund</u>	<u>Student Sponsored Activity Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Local Revenue	\$ 60,582,219	\$ -	\$ -	\$ 60,582,219
State Sources	22,554,064	-	-	22,554,064
Earnings on Investments	-	715,514	1,738	717,252
Student Activities	-	-	223,363	223,363
Federal Sources	2,305,024	-	-	2,305,024
Total Revenue	<u>85,441,307</u>	<u>715,514</u>	<u>225,101</u>	<u>86,381,922</u>
Expenditures				
Current Operating:				
Instruction	52,296,063	-	-	52,296,063
Facilities, Acquisiton, Construction and Improvement Services	791,093	20,577,905	-	21,368,998
Support Services	23,904,718	-	-	23,904,718
Noninstructional Services	1,391,025	-	-	1,391,025
Student Activities	-	-	233,114	233,114
Debt Service:				
Principal	3,080,000	-	-	3,080,000
Interest	2,072,937	-	-	2,072,937
Total Expenditures	<u>83,535,836</u>	<u>20,577,905</u>	<u>233,114</u>	<u>104,346,855</u>
Net Change in Fund Balance	<u>1,905,471</u>	<u>(19,862,391)</u>	<u>(8,013)</u>	<u>(17,964,933)</u>
Fund Balance, Beginning of Year	<u>13,370,416</u>	<u>31,588,570</u>	<u>105,378</u>	<u>45,064,364</u>
Fund Balance, End of Year	<u>\$ 15,275,887</u>	<u>\$ 11,726,179</u>	<u>\$ 97,365</u>	<u>\$ 27,099,431</u>

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

GATEWAY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN NET POSITION TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2023

Amounts reported for governmental activities in the Statement of
Activities are different because:

Net change in fund balances-total governmental funds \$ (17,964,933)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital Outlays	\$ 20,986,384	
Depreciation Expense	<u>(2,694,015)</u>	18,292,369

Payments of long-term debt and certain expenditures of debt issuance are expensed when paid in the Governmental Funds, but are amortized or recorded as a reduction of long-term liabilities in the Statement of Net Position.

Amortization of deferred loss on refunding	(176,951)	
Amortization of bond premiums	171,050	
Debt principal repayments	3,080,000	
Change in compensated absences	437,850	
Amortization of bond discount	(8,847)	
Change in accrued interest	<u>10,006</u>	3,513,108

Governmental funds do not report the changes in other post employment benefits liability and related items.

Change in OPEB liability	(28,792)
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Governmental funds do not report the changes in pension liability and related items.

Change in net pension liability	4,924,018
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Taxes reported include receipt of prior year delinquent taxes and do not include revenue attributable to the current year's delinquent tax receivable. This amount is the net effect of these differences:

	<u>1,150,416</u>
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Change in net position of governmental activities

	<u>\$ 9,886,186</u>
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GATEWAY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2023

Assets	Business-Type Activities Enterprise Fund Food Service Fund
Current Assets:	
Cash and Cash Equivalents	\$ 1,387,497
Due from Other Funds	103,047
Inventories	132,662
Total Current Assets	1,623,206
Noncurrent Assets:	
Machinery and Equipment	1,208,823
Accumulated Depreciation	(1,035,574)
Total Noncurrent Assets	173,249
Total Assets	1,796,455
Deferred Outflows of Resources	
Pension:	
Deferred Contributions Subsequent to the Measurement Date	238,974
Deferred Difference Between Actual and Experienced	933
Deferred Changes in Assumptions	61,467
Deferred Changes in Proportion	10,100
OPEB:	
Deferred Outflows related to OPEB	48,438
Total Deferred Outflows of Resources	359,912
Total Assets and Deferred Outflows	2,156,367
Liabilities	
Current Liabilities:	
Accounts Payable	27,145
Unearned Revenues	57,410
Total Current Liabilities	84,555
Noncurrent Liabilities:	
Compensated Absences	38,708
OPEB Liability	17,884
Net Pension Liability	2,058,439
Total Noncurrent Assets	2,115,031
Total Liabilities	2,199,586
Deferred Inflows of Resources	
Pension:	
Deferred Changes in Proportion	15,880
Net difference between projected and actual investment earnings	34,922
Deferred Difference Between Actual and Experience	17,804
OPEB:	
Deferred Inflows related to OPEB	55,950
Total Deferred Inflows of Resources	124,556
Net Position	
Net Investment in Capital Assets	173,249
Unrestricted	(341,024)
Total Net Position (Deficit)	(167,775)
Total Liabilities, Deferred Inflows and Net Position (Deficit)	\$ 2,156,367

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

GATEWAY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
JUNE 30, 2023

	Business-Type Activities - Enterprise Fund <u>Food Service Fund</u>
Operating Revenues	
Food Service Sales:	
Lunch and Breakfast Sales	\$ 73,391
Total Operating Revenue	<u>73,391</u>
Operating Expenses	
General Supplies	38,820
Food	1,105,747
Salaries	893,731
Employee Benefits	345,690
Depreciation	34,558
Repairs and Maintenance	23,065
Travel	51
Miscellaneous, Dues and Fees	51,226
Total Operating Expenses	<u>2,492,888</u>
Operating Loss	<u>(2,419,497)</u>
Nonoperating Revenues	
Federal Sources	2,315,590
States Sources	343,552
Earnings on Investments	19,962
Total Nonoperating Revenues	<u>2,679,104</u>
Change in Net Position	259,607
Net Position (Deficit), Beginning of Year	<u>(427,382)</u>
Net Position (Deficit), End of Year	<u>\$ (167,775)</u>

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

GATEWAY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2023

	<u>Enterprise Fund- Food Service</u>
Cash Flows from Operating Activities:	
Cash Received From Users	\$ 90,250
Cash Payments to Employees for Services	(1,348,112)
Cash Payments to Suppliers for Goods and Services	<u>(1,203,991)</u>
Net Cash Used for Operating Activities	<u>(2,461,853)</u>
Cash Flows From Noncapital Financing Activities:	
State Sources	343,552
Federal Sources	<u>2,315,590</u>
Net Cash Provided by Noncapital Financing Activities	<u>2,659,142</u>
Cash Flows from Investing Activities:	
Earnings on Investments	<u>19,962</u>
Net Cash Provided by Investing Activities	<u>19,962</u>
Net Increase in Cash and Cash Equivalents	217,251
Beginning Cash and Cash Equivalents	<u>1,170,246</u>
Ending Cash and Cash Equivalents	<u>\$ 1,387,497</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating Loss	\$ (2,419,497)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and Amortization	34,558
(Increase) decrease in Assets and Deferred Outflows	
Inventories	(42,027)
Due from Other Funds	38,735
Deferred Outflows	22,344
Increase (decrease) in Liabilities and Deferred Inflows	
Accounts Payable and Deferred Revenue	18,210
Net Pension Liability	180,119
Deferred Inflows	(252,792)
OPEB Liability	(42,073)
Compensated Absences	<u>570</u>
Net Cash Used In Operating Activities	<u>\$ (2,461,853)</u>

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

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Gateway School District (the District) operates four elementary schools, two middle schools and one high school in Allegheny County, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School Laws of Pennsylvania. The District operates under a locally elected nine-member board form of government.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are discussed below:

A) Reporting Entity

The District is the basic level of government, which has financial accountability and control over all activities related to the public school education in the District. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District, is not included in any other governmental "reporting entity" as defined by the GASB pronouncements, since Board members are elected from the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in GASB Statement No. 61, which are included in the District's reporting entity.

B) Joint Ventures

The District is one of nine-member school districts participating in a joint venture for the operation of the Forbes Road Career & Technology Center ("Forbes"). Forbes was created for the operation of certain vocational-technical training and education programs for the benefit of the participating students of the member school districts. In the event of dissolution of Forbes, its net assets will be distributed to the member school districts in the same proportion as they were originally contributed. Forbes is governed by a board composed of appointees from each member school district. Each member school district remits a proportionate share of the operating budget to Forbes. The District's share of net funding expenditures incurred for the year ended June 30, 2023 was \$892,249, which has been reported as an expenditure in the District's General Fund. The District's proportionate share of general fixed assets of Forbes has not been determined. Complete financial statements of Forbes can be obtained from the Forbes administrative offices at 607 Beatty Road; Monroeville, PA 15146. The District is also one of eight-member school districts participating in a joint venture for the operation of the Eastern Area Special Schools ("Eastern"). Eastern provides special education to participating students of the member school districts. Eastern is controlled and governed by the Joint Board which is composed of all the school board members of all member school districts. Direct oversight of Eastern's operations is the responsibility of the Joint Committee, which consists of one representative from each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of Eastern. The District's share of annual operating and capital costs for Eastern fluctuates, based on the percentage of enrollment of each member school district in the school. The District's financial obligation to Eastern for the year ended June 30, 2023 was \$35,854, which has been reported as an expenditure in the District's General Fund. Eastern's outstanding debt is secured by rental payments from the member school districts. The District's proportionate share of capital assets and outstanding debt of Eastern has not been determined.

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B) Joint Ventures (Continued)

In the event of dissolution of Eastern, the assets shall be disposed of and distributed to the participating school districts net of any outstanding debt in the same proportion as their proportionate assessed value as reported for that year in the "Annual Certification of the Tax Equalization Board" as of the first day of July. Complete financial statements of Eastern can be obtained from the administrative offices at 550 Aura Drive; Monroeville, PA 15146.

C) Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. Fund Financial Statements

Fund financial statements are also provided in the report for all of the governmental funds and proprietary funds of the District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund are food service charges. Operating expenses for the District's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) Basis of Presentation (Continued)

2. Fund Financial Statements (Continued)

The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be in another fund.

The construction fund is the District's fund for construction projects. It accounts for all financial resources required for construction projects.

The student sponsored activity fund accounts for students' activities in the District's high school and middle school.

The District operates one enterprise fund, the food service fund. This fund accounts for the activities of the District's food service program.

D) Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made regardless of the measurement focus applied.

Accrual: Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E) Budgets and Budgetary Accounting

An operating budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required. The District has also adopted separate budgets for the Food Service Fund and Athletic Fund (reported as part of the General Fund).

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E) Budgets and Budgetary Accounting (Continued)

The Pennsylvania School Code dictates specific procedures relative to adoption of the District's budget and reporting of its financial statements, specifically:

The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year. The District is required to publish notice by advertisement, at least once in one newspaper of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement, such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

Included in the General Fund budget are program budgets as prescribed by the federal and state agencies funding the program. These budgets are approved on a program basis by the federal and state funding agencies. The District estimates anticipated federal and state funding with the adoption of its general fund budget, before these respective program budgets are approved by the funding agencies.

F) Interfund Receivables

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. These advances are considered "available".

G) Investments

Investments are carried at market value based on quoted market prices.

H) Retirement Incentives

The District recognized certain contractual obligations arising from early retirements of professional employees as expenditures when earned.

I) Inventory

In the fund financial statements, textbooks, educational supplies and maintenance department, supplies are recorded as expenditures at the time of purchase within the General Fund.

A physical inventory of the Food Service Fund, food and supplies was taken as of June 30, 2023. The inventory consisted of government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method.

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) Inventory (Continued)

Purchased inventories of the Food Service Fund are carried and expended at average cost.

J) Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items (consumption method) in both the government-wide and fund financial statements.

K) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is expensed as incurred.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Land Improvements	15 to 20
Furniture	20
Vehicles	10
Equipment	5 to 15
Computer Software	5 to 10
Textbooks	5
Library/Workbooks	5 to 7

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 12 years.

L) Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations, (OPEB) other post-employment benefits are reported as liabilities in the applicable governmental or business type activity columns in the statement of net position.

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L) Long-Term Obligations (Continued)

Bond premiums and discounts are reported as deferred charges and amortized over the term of the related debt and issue costs are expensed when incurred.

In the fund financial statements, governmental funds types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M) Use of Estimates

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

N) Post-Employment Benefits

The District provides health care and life insurance benefits for eligible retired employees. Substantially all of the District's employees may become eligible for those applicable benefits if they reach normal retirement age while working for the District. The District accounts for and funds the majority of costs of such benefits from continuing operations as they are incurred.

O) Pensions

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

P) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Proprietary Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Q) Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise of a hierarchy that is based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q) Fund Balance (Continued)

Nonspendable: The nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid expenses at year end.

Restricted: The restricted fund balance are amounts limited by external parties, or legislation (e.g., debt covenants and grants). The District has restricted portions of fund balance to fund future capital projects.

Committed: The committed fund balance amounts are those that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Board of Directors approved a portion of funds to be committed for stabilization amounts for expenditures exceeding revenues for the year. The Board of Directors approved the remaining funds to be committed for the future increase in PSERS rates and future healthcare cost increases.

Assigned: Assets intended to be used by the government for specific purposes. Intent can be expressed by the governing body authority.

Unassigned: Unassigned fund balance is the residual classifications for the general fund.

The District uses Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

R) Deferred Outflows/Inflows of Resources

The Statement of Net Position reports separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The District has four items that qualify for reporting in these categories: deferred loss on refunding of debt, deferred outflows and inflows related to pensions, deferred outflows and inflows related to OPEB contributions, and unavailable tax revenue.

In accordance with applicable guidance, the excess of the reacquisition price over the net carrying amount of refunded debt is recorded as a deferred outflow of resources on the statement of net position and amortized as a component of interest expense over the shorter of the term of the refunding issue or refunded bonds.

Deferred outflows and inflows of resources related to pensions are described further in Note 8. Annual changes to the net pension liability resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or demographic factors or other inputs are deferred and amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits determined for the

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R) Deferred Outflows/Inflows of Resources (Continued)

period during which the changes occurred. Differences between projected and actual earnings on pension plan investments are amortized over a closed five-year period.

In accordance with applicable guidance, OPEB contributions subsequent to the measurement date are recorded as a deferred outflow of resources.

Unavailable tax revenue, which arises under the modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

S) Adoption of Governmental Accounting Standards Board Statements

The District adopted the provisions of GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The adoption of this statement had no effect on previously reported amounts.

The District adopted the provisions of GASB Statement No. 96, "Subscription-Based Information Technology Arrangements". The District's subscription-based information technology arrangements are immaterial to the District, and so no adjustments or disclosures have been made at this time.

The District adopted certain requirements of GASB Statement No. 99, "Omnibus 2022". The adoption of these certain requirements had no effect on the District's financial statements.

T) Pending Changes in Accounting Principles

In June of 2022, the GASB issued Statement No. 100, "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62". The District is required to adopt Statement No. 100 for its fiscal year 2024 financial statements.

In June of 2022, the GASB issued Statement No. 101, "Compensated Absences". The District is required to adopt Statement No. 101 for its fiscal year 2025 financial statements.

In December 2023, the GASB issued Statement No. 102 "Certain Risk Disclosures." The District is required to adopt it for fiscal year 2024 financial statements.

The District has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the governmental fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The governmental fund statement of revenues, expenditures and changes in net position includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of government activities as reported in the governmental-wide Statement of Activities.

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision and (d) shares of an investment company registered under the Investment Company Act of 1940, provided that the instruments are those types of investments listed above, and the investment company is managed so as to maintain its shares at a constant net asset value and the investment company is rated in the highest category by a nationally recognized rating agency. Pursuant to Act 72 of the Pennsylvania State Legislature, a depository must pledge assets to secure state and municipal deposits. The pledged assets must at least be equal to the total amount of such assets required to secure all of the public deposits at the depository and may be on a pooled basis. Additionally, all such pledged assets must be delivered to a legal custodian.

Act 10 of 2016 broadened the scope of investment options for the District with safeguard measures to protect those investments. The Act added high quality money market instruments including repurchase agreements, commercial paper, negotiable certificates of deposit and bankers' acceptance to the authorized list of investments. The District did not utilize any Act 10 investments during the fiscal year.

The deposit and investment policy of the District adheres to State statutes and prudent business practice. There were no deposits or investment transactions during the year that were in violation of either the State statutes or the policy of the District.

A portion of the District's cash and investments are in the Pennsylvania School District Liquid Asset Fund ("PSDLAF"), which is a fund very similar to mutual funds. PSDLAF operates in accordance with appropriate State laws and regulations and under State oversight. Shares of the funds are offered to certain Pennsylvania School Districts, intermediate units, area vocational-technical schools and municipalities. The purpose of these funds is to enable such governmental units to pool available funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. The District's deposits in these pooled funds are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. These investments are reflected as cash and cash equivalents on the balance sheet. The fair value of the District's position in the external investment pools is the same as the value of the pool shares. All investments in an external investment pool that is not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania. The District can withdraw funds from most of its external investment pools without restriction. However, certain limitations can be placed on withdrawals from a few of its pooled accounts, including a provision that only permits withdrawals on a certain day of the week and restrictions related to the redemption of certificates of deposit.

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023

NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Interest Rate Risk – The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The School District has no formal investment policy for its operating funds that addresses credit risk. As of June 30, 2023, the School District's operating investments were all maintained in Money Market funds with the Pennsylvania School District Liquid Asset Fund (PSDLAF).

Custodial Credit Risk – For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of June 30, 2023, the School District's bank balances for its governmental and business-type activities were \$32,959,494 of these bank balances, \$500,000 was covered by Federal Depository Insurance Company (FDIC). \$5,105,616 was collateralized with securities held by the pledging financial institutions, or by their trust departments or agents, but not in the School District's name, and therefore was subject to custodial credit risk.

The District's investment is deposited with the Pennsylvania School District Liquid Asset Fund (PSDLAF), which is similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a state investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PSDLAF investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments as of June 30, 2023 is \$27,353,878. These assets maintain a stable net asset value of \$1 per share. PSDLAF is not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Concentration of Credit Risk – The School District has no formal investment policy for operating investments pertaining to the concentration of credit risk.

NOTE 4: TAXES RECEIVABLE

Based upon assessed valuations provided by the County, the District bills and collects its property taxes through tax collectors for each constituent municipality. The schedule for property taxes levied for the fiscal year ended June 30, 2023, is as follows:

July 1,	-	tax date
July 1 - August 31,	-	2% discount period
September 1 - October 31,	-	face payment period
November 1 - Collection	-	10% penalty period

The District's tax rate in the year ended June 30, 2023, was 21.7479 mills (\$2.17479 per \$100 assessed valuation). The District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance deferred in the fund financial statements. Taxes receivable represent unpaid real estate taxes, real estate transfer taxes, mercantile taxes and earned income tax after providing an allowance for the estimated amount uncollectible.

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023

NOTE 5: DUE FROM OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the District. At June 30, 2023, the following amounts are due from other governmental units:

	Governmental Activities
Federal (through state)	\$ 1,469,870
State	2,696,293
Total	\$ 4,166,163

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
CAPITAL ASSETS, NOT BEING DEPRECIATED:				
LAND	\$ 4,281,588	\$ -	\$ -	\$ 4,281,588
CONSTRUCTION IN PROGRESS	13,620,529	20,577,906	-	34,198,435
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	\$ 17,902,117	\$ 20,577,906	\$ -	\$ 38,480,023
CAPITAL ASSETS, BEING DEPRECIATED:				
LAND IMPROVEMENTS	\$ 10,548,595	\$ 200,031	\$ -	\$ 10,748,626
BUILDINGS	23,892,285	16,920	-	23,909,205
BUILDING IMPROVEMENTS	65,028,333	172,707	-	65,201,040
FURNITURE AND FIXTURES	12,832,789	18,820	-	12,851,609
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	\$ 112,302,002	\$ 408,478	\$ -	\$ 112,710,480
LESS ACCUMULATED DEPRECIATION FOR:				
LAND IMPROVEMENTS	\$ 7,610,691	\$ 468,080	\$ -	\$ 8,078,771
BUILDINGS	16,952,737	329,193	-	17,281,930
BUILDING IMPROVEMENTS	30,234,270	1,728,754	-	31,963,024
FURNITURE AND FIXTURES	11,990,776	167,988	-	12,158,764
TOTAL ACCUMULATED DEPRECIATION	\$ 66,788,474	\$ 2,694,015	\$ -	\$ 69,482,489
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	\$ 45,513,528	\$ (2,285,537)	\$ -	\$ 43,227,991
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	\$ 63,415,645	\$ 18,292,369	\$ -	\$ 81,708,014

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023

NOTE 6: CAPITAL ASSETS (CONTINUED)

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
BUSINESS-TYPE ACTIVITIES:				
CAPITAL ASSETS, BEING DEPRECIATED:				
EQUIPMENT	\$ 1,208,823	\$ -	\$ -	\$ 1,208,823
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	<u>\$ 1,208,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,208,823</u>
LESS ACCUMULATED DEPRECIATION FOR:				
EQUIPMENT	\$ 1,001,016	\$ 34,558	\$ -	\$ 1,035,574
TOTAL ACCUMULATED DEPRECIATION	<u>\$ 1,001,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,035,574</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>\$ 207,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,249</u>
BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET	<u>\$ 207,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,249</u>
GOVERNMENTAL ACTIVITIES:				
INSTRUCTION:				
REGULAR			\$ 1,805,529	
SUPPORT SERVICES:				
PUPIL TRANSPORTATION			170,612	
INSTRUCTIONAL STAFF			365,928	
ADMINISTRATION			40,060	
OPERATION AND MAINTENANCE OF PLANT			259,972	
SUBTOTAL			<u>\$ 836,572</u>	
OPERATION OF NONINSTRUCTIONAL SERVICES:				
STUDENT ACTIVITIES			50,081	
COMMUNITY SERVICES			1,833	
SUBTOTAL			<u>\$ 51,914</u>	
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES			<u>\$ 2,694,015</u>	
BUSINESS-TYPE ACTIVITIES:				
CAFETERIA			\$ 34,558	
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES			<u>\$ 34,558</u>	

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 7: LONG-TERM DEBT

A) Bonds and Notes Payable

General Obligation Bonds Refunding Series of 2012, dated May 1, 2012, originally issued at \$28,735,000 with various maturity dates through 2032, and interest at various rates from 4% to 5%. Annual principal requirements vary from \$810,000 to \$885,000. The bonds were partially refunded on an advance refunding basis by \$21,590,000 of the District's General Obligation Bonds Series of 2012. For the fiscal year ended June 30, 2023, the repayment of the principal on the bond amounted to \$885,000 and interest on the bond amounted to \$22,125. This loan was paid off during 2023.

General Obligation Bonds Refunding Series of 2016 (Federally Taxable), dated October 26, 2016, issued at \$18,845,000 with various maturity dates through the year 2028, and interest of various rates from 1% to 3%. Annual principal requirements vary from \$460,000 to \$2,230,000. The refunding resulted in a difference between the cash flow required to service the old debt and that required to service the new debt of \$946,978. For the fiscal year ended June 30, 2023 repayment of the principal on the bond amounted to \$1,985,000 and interest on the bond amounted to \$277,380. The outstanding principal balance at June 30, 2023 was \$10,630,000.

General Obligation Bonds Refunding Series of 2020, dated January 30, 2020 (Federally Taxable), the bonds were issued at \$23,570,000 to partially refund, on an advanced refunding basis, \$21,590,000 of the outstanding General Obligation Refunding Series of 2012. The advance refunding resulted in a decrease in cash flow required for debt service in the amount of \$1,187,445, and an economic gain at \$1,023,957. For the fiscal year ended June 30, 2023 repayment of the principal on the bond amounted to \$205,000 and interest on the bond amounted to \$536,832. The outstanding principal balance at June 30, 2023 was \$22,755,000.

During the 2020-2021 fiscal year, the District issued \$41,260,000 in new general obligation bonds called the Series of 2021 General Obligation Bonds which will fund two major District capital renovation projects. The bonds have various maturity dates through the year 2043 and interest rates ranging from 1.63% to 1.98%. For the fiscal year ended June 30, 2023 repayment of the principal on the bond amounted to \$5,000 and interest on the bond amounted to \$1,236,550. The outstanding principal balance at June 30, 2023 was \$41,250,000.

B) Future Scheduled Maturities

The future scheduled maturities of bonds payable are as follows:

Fiscal year ending June 30	Principal	Interest	Total
2024	3,160,000	1,998,136	5,158,136
2025	3,230,000	1,931,101	5,161,101
2026	3,305,000	1,858,442	5,163,442
2027	3,380,000	1,780,268	5,160,268
2028-2032	16,815,000	7,682,404	24,497,404
2033-2037	18,515,000	5,344,843	23,859,843
2038-2042	21,415,000	2,367,075	23,782,075
2043-2044	4,815,000	76,275	4,891,275
	<u>\$ 74,635,000</u>	<u>\$ 23,038,544</u>	<u>\$ 97,673,544</u>

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023

NOTE 7: LONG-TERM DEBT (Continued)

C) Changes in Long-Term Debt

During the year ended June 30, 2023, long-term debt changed as follows:

	General Obligation Bonds	Compensated Absences	
		Governmental Activities	Business-Type Activities
Balance at July 1, 2022	\$ 77,715,000	\$ 2,811,740	\$ 38,138
Principal Retirement	(3,080,000)	-	-
Change in Compensated Absence Liability	-	(437,850)	570
Balance at June 30, 2023	<u>\$ 74,635,000</u>	<u>\$ 2,373,890</u>	<u>\$ 38,708</u>

NOTE 8: EMPLOYEE RETIREMENT PLAN

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension is primarily recorded as a governmental activity expected to be paid from the General Fund. The remaining portion is recorded in the Cafeteria Fund.

General Information about the Pension Plan:

Plan Description. PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits provided. PSERS provides retirement, disability, and death benefits. Under the provisions of the 1975 revision of the Code by the Pennsylvania General Assembly, members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserved the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 8: EMPLOYEE RETIREMENT PLAN (CONTINUED)

classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% of 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

All members are fully vested in their individual balance in the Members' Saving Account. All non-vested members may receive a refund of their individual balance of member contributions and interest from the Members' Savings Account upon termination of public school employment.

Vested members who enrolled prior to July 1, 2011 may elect to receive a return of their accumulated contributions and interest upon their retirement which results in a reduced monthly annuity. Vested Class T-E and T-F members cannot withdraw their accumulated contributions and interest from the Members' Savings Account upon their retirement.

Contributions. The contribution policy is set by the Code. The District's contractually required contribution rate for fiscal year ended June 30, 2023 was 35.26% of covered payroll which includes 0.20% for the Act 5 defined contribution plan members and .75% for health insurance premium assistance, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$11,942,074 for the year ended June 30, 2023.

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 8: EMPLOYEE RETIREMENT PLAN (CONTINUED)

Member contribution rates are set by law (redefined with the provisions of Act 9 of 2001 and Act 120) and are dependent upon membership class. Member contribution rates are as follows:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit Contribution Rate	Defined Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% *	N/A	7.50%
T-F	On or after July 1, 2011	10.30% *	N/A	10.80%
T-G	On or after July 1, 2019	5.50% *	2.75%	9.00%
T-H	On or after July 1, 2019	4.50% *	3.00%	8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

* This contribution rate is subject to a shared risk provision as follows:

Shared Risk Program Summary				
Membership Class	Defined Benefit Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/- 0.50%	5.50%	9.50%
T-F	10.30%	+/- 0.50%	8.30%	12.30%
T-G	5.50%	+/- 0.75%	2.50%	8.50%
T-H	4.50%	+/- 0.75%	1.50%	7.50%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to Pensions:

At June 30, 2023, the District reported a liability of \$102,921,941 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 rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.2315%, which was an increase of .0007% from its proportion measured as of June 30, 2021.

	Governmental Activities	Business-Type Activities	Total
Net Pension Liability	<u>\$ 100,863,502</u>	<u>\$ 2,058,439</u>	<u>\$ 102,921,941</u>

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 8: EMPLOYEE RETIREMENT PLAN (CONTINUED)

For the fiscal year ended June 30, 2023, the Districts governmental activities recognized pension expense of \$7,118,770 and its business-type activities recognized pension expense of \$145,281. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	\$ -	\$ 1,711,157	\$ -	\$ 34,921
Changes in assumptions	3,011,902	-	61,467	-
District contributions subsequent to the measurement date	11,703,100	-	238,974	-
Difference between actual and experience	45,740	872,386	933	17,805
Changes in proportions	494,900	778,120	10,100	15,880
Total	\$ 15,255,642	\$ 3,361,663	\$ 311,474	\$ 68,606

\$11,942,074 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 ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ 307,597
2024	50,462
2025	(2,600,816)
2026	2,437,530
	\$ 194,773

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023

NOTE 8: EMPLOYEE RETIREMENT PLAN (CONTINUED)

The total pension liability as of June 30, 2022 was determined by rolling forward the System's total pension liability as of the June 30, 2021 actuarial valuation to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Investment rate of return was 7.00%
- The inflation assumption was 2.50%
- Salary growth was an effective range of 4.50%, which was comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale

Changes in Actuarial Assumptions

- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00% to 4.50%
 - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates- previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females , adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023

NOTE 8: EMPLOYEE RETIREMENT PLAN (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	28.00%	5.30%
Private Equity	12.00%	8.00%
Fixed Income	33.00%	2.30%
Commodities	9.00%	2.30%
Absolute return	6.00%	3.50%
Infrastructure/MLP's	9.00%	5.40%
Real estate	11.00%	4.60%
Cash	3.00%	0.50%
Leverage	<u>-11.00%</u>	0.50%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00 percent) or 1-percentage point higher (8.00 percent) than the current rate:

1% Decrease	Amounts x \$1,000 Current discount rate	1% Increase
<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>

District's share of			
the net pension	\$ 133,122	\$ 102,922	\$ 77,459

Pension plan fiduciary net position. Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 8: EMPLOYEE RETIREMENT PLAN (CONTINUED)

Act 5 of 2017. On June 12, 2017, the Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation established a new hybrid defined benefit/defined contribution retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. The current stand-alone defined benefit plan is no longer available to new members after June 30, 2019.

NOTE 9: CONTINGENCIES

The School District is a defendant in various lawsuits. Management does not believe the settlement of these matters will have a material effect upon the District's financial condition.

The District receives a number of state and federal grants. The grants may be subject to audit by the granting agency to determine if activities undertaken by the District comply with the conditions of the grant. Management believes no material liability would arise from any such audit.

The District has entered into a contracted transportation service agreement with an external party who provides busing service students. This agreement does not meet the criteria of a lease under GASB 87 as the terms and conditions for payment specify a rate of reimbursement per mile calculated by the Commonwealth. Since the payments are variable based on the usage of underlying asset, the District has not recorded a liability in the financial statements for this agreement in accordance with GASB 87.

Public Entity Risk Pool

The District is a participant in the Allegheny County School Health Insurance Consortium (ACHIC). The ACHIC invests excess funds for the stabilization of insurance premiums paid by the school participants. After each year the insurance carrier compares actual claims experience with premiums paid. The difference will result in either a retroactive premium adjustment due to or from the ACHIC. The determination of the effect to the District, if any, cannot presently be determined. Accordingly, no provision has been recognized in these financial statements.

Real Estate Taxes

The District has various real estate tax appeal cases which arise in the ordinary course of business. The acceptance and settlement of these cases could affect future real estate revenue and refund expenditures. No provision has been made for the ultimate effect on revenue and expenditures, if any, in these financial statements.

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023

NOTE 10: FUND BALANCE ALLOCATIONS

Nonspendable Fund Balance

The General Fund has \$698,773 in nonspendable fund balance at June 30, 2023, comprised of prepaid expenditures.

Committed Fund Balance

The Board has committed \$4,527,000 for future pension rate increases, future healthcare cost increases, and future capital repair projects as of June 30, 2023.

Restricted Fund Balance

The General Fund has \$17,134 and the Student Sponsored Activity Fund has \$97,365 in restricted fund balances at June 30, 2023, comprised of funds reserved for scholarships and student activities, respectively. The Construction Fund has \$11,726,179 in restricted fund balance as of June 30, 2023 for future capital projects.

Unassigned Fund Balance

The General Fund has \$10,032,980 in unassigned fund balance as of June 30, 2023. This balance includes the residual fund balance for the General Fund.

NOTE 11: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District continues to carry commercial insurance for these types of risk of loss.

NOTE 12: NET POSITION ALLOCATIONS

The portion of net deficit for governmental activities, shown on the government-wide statement of net position as net investment in capital assets, \$17,125,634. The restricted amount of net position is \$114,499. The residual amount of net assets remaining is a deficit of (\$94,045,058), the majority of which is attributable to the governmental portion of the District's share of the net pension liability, and is classified as unrestricted.

The portion of net position for business-type activities, shown on the government-wide statement of net position as net investment in capital assets is \$173,249. The residual amount of net position remaining is a deficit of (\$341,024) which is attributable to the business-type activities portion of the District's share of the net pension liability and is classified as unrestricted.

NOTE 13: OTHER POST-EMPLOYMENT BENEFITS

Plan Description:

The District administers a single-employer defined benefit healthcare plan (the "Retiree Health Plan"). The plan provides healthcare, prescription drug, dental and/or vision insurance, at various costs to the member and the District, for the life of the member or until the member is eligible for Medicare, depending on the terms of the contract when they retire, for eligible retirees and their spouses through the District's health insurance plan. The Retiree Health Plan covers both active and retired members. Benefit provisions are established and may be amended through negotiation with the District and the unions

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023

NOTE 13: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

representing the District's employees. The Retiree Health Plan does not issue a publicly available financial report.

Employees covered by benefit terms. At June 30, 2023, the following employees were covered by the benefit terms:

	<u>Administrators</u>	<u>Professionals</u>	<u>Teamsters</u>	<u>Total</u>
Active Participants	16	273	124	413
Retirees & Surviving Spouses Receiving OPEB Benefits	37	8	112	<u>157</u>
				<u>570</u>

Funding Policy. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The benefits are expensed when incurred and are financed on a pay-as-you-go basis. Retirees currently pay a portion of the monthly premium. The School District covers the balance of the premium not paid by the retiree. Retiree and dependent coverage, group plans, and costs to the retiree are subject to change. A spouse may be covered as a dependent until the death of the retiree; thereafter, they are eligible to continue coverage by paying 100% of the monthly insurance premium.

Total OPEB Liability. The District's total OPEB liability of \$14,293,790 was measured as of July 1, 2022, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation 2.75%

Discount Rate 3.75%

Mortality Rates were updated to be based on those used in the July 1, 2022 valuation of the Public School Employees' Retirement System.

The discount rate was based on the index rate for 20 year, tax exempt general obligation bonds with an average rating of AA/Aa or higher.

Changes in the total OPEB Liability

The District's total OPEB liability has been measured as of June 30, 2023. The total OPEB liability was determined by an actuarial valuation as of July 1, 2022. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$14,293,790, all of which is unfunded. As of June 30, 2023, the total OPEB liability of \$14,293,790 is split between governmental and business type activities, as shown below.

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The District's change in its total OPEB liability for the year ended June 30, 2023 was as follows:

	Governmental Activities	Business-Type Activities	Total
Service Cost	\$ 437,988	\$ 1,421	\$ 439,409
Interest	519,649	1,687	521,336
Differences between expected and actual e	1,236,051	4,012	1,240,063
Changes of assumptions or other inputs	(705,210)	(23,313)	(728,523)
Benefit payments	<u>(249,060)</u>	<u>(8,233)</u>	<u>(257,293)</u>
Net change in total OPEB liability	1,239,418	(24,426)	1,214,992
Net OPEB obligation - July 1, 2022	<u>13,036,488</u>	<u>42,310</u>	<u>13,078,798</u>
Net OPEB obligation - June 30, 2023	<u>\$ 14,275,906</u>	<u>\$ 17,884</u>	<u>\$ 14,293,790</u>

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$490,835. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 795,147	\$ 1,535,599	\$ 21,094	\$ 2,582
Difference between actual and experience	<u>1,038,394</u>	<u>126,542</u>	<u>16,325</u>	<u>31,339</u>
Total	<u>\$ 1,833,541</u>	<u>\$ 1,662,141</u>	<u>\$ 37,419</u>	<u>\$ 33,921</u>

The amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	\$ (469,910)
2025	38,301
2026	256,111
2027	238,496
2028	79,928
Thereafter	<u>31,972</u>
Total	<u>\$ 174,898</u>

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.75 percent) or 1 percentage point higher (4.75 percent) than the current discount rate:

	1% Decrease 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
School's total OPEB liability	\$ 15,744,038	\$ 14,293,790	\$ 12,961,549

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease Between 1.4% to 4%	Healthcare Cost Trend Rate Between 2.4% to 5%	1% Increase Between 3.4% to 6%
School's total OPEB liability	\$ 12,706,580	\$ 14,293,790	\$ 16,116,585

Health Insurance Premium Assistance Plan

In addition, the Pennsylvania Public School Employees' Retirement System ("PSERS") provides a Health Insurance Premium Assistance Plan ("PSERS Plan"). The PSERS Plan is a governmental cost-sharing multi-employer postretirement benefits plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania. Under the PSERS Plan, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year.

The administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15-member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the PSERS Plan if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of services and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2022 there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions. The school districts' contractually required contribution rate for fiscal year ended June 30, 2022 was 0.80% of covered payroll, an actuarially determined amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PSERS Plan from the District were \$324,227 for the year ended June 30, 2023.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB:

At June 30, 2023, the District reported a liability of \$4,250,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2022 to June 30, 2023. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll of all School Districts in the PSERS Plan.

At June 30, 2023, the District's proportion was 0.2309% percent, which was an increase of 0.0007 from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized OPEB expense of \$101,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings	\$ 11,329	\$ -	\$ 231	\$ -
Changes in assumptions	462,490	983,743	9,439	20,077
District contributions subsequent to the measurement date	324,227	-	-	-
Difference between actual and experience	38,374	22,295	783	455
Changes in proportions	<u>27,720</u>	<u>73,360</u>	<u>566</u>	<u>1,497</u>
Total	<u>\$ 864,140</u>	<u>\$ 1,079,398</u>	<u>\$ 11,019</u>	<u>\$ 22,029</u>

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

\$324,227 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as an increase of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$(131,491)
2024	(80,482)
2025	(96,517)
2026	(111,745)
2027	(132,402)
2028	<u>2,142</u>
 Total	 <u>\$ (550,495)</u>

Actuarial Assumptions. The total OPEB liability as of June 30, 2022 was determined by rolling forward the System's total OPEB liability as of the June 30, 2021 actuarial valuation to June 30, 2022 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit and seniority increases.
- Premium assistance reimbursement capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%.
 - Eligible retirees will elect to participate post age 65 at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the Program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. The Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022 were:

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	100.0%	0.5%
	<u>100.0%</u>	

Discount rate. The discount rate used to measure the total OPEB liability was 4.09%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.09% which represents the S&P 20 year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2022, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 611 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2023

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The following presents the District's Proportionate Share of the net OPEB liability as well as what the District's Proportionate Share of the net OPEB liability would be if it was calculated using health cost trends that are 1-percentage point lower or 1-percentage higher than the current rate:

	1% Decrease		Current		1% Increase
	(Between 4% to 6%)		Discount Rate		(Between 6% to 8%)
	(Between 4% to 6%)		(Between 5% to 7%)		(Between 6% to 8%)
School's proportionate share of the net OPEB liability	\$ 4,807,000		\$ 4,250,000		\$ 3,785,000

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.09 percent) or higher (5.09 percent) than the current discount rate:

	1% Decrease		Current		1% Increase
	1% Decrease		Trend Rate		1% Increase
System net OPEB liability	\$ 4,250,000		\$ 4,250,000		\$ 4,251,000

OPEB plan fiduciary net position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

NOTE 14: ALLEGHENY COUNTY SCHOOLS HEALTH INSURANCE CONSORTIUM

The District is one of seventy members of the Allegheny County Schools Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public school districts. The District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. The District paid approximately \$7,200,761 to the Consortium during the fiscal year ending June 30, 2023. The District receives reimbursements from employees and retirees for health care premiums.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to or responsible for a proportionate share of the Consortium net assets or deficiency in net assets, respectively, as determined on the fiscal year-end date after withdrawal. As of June 30, 2023, the Consortium had net assets of approximately \$43.6 million of which approximately \$865,000 is attributable to the District.

REQUIRED
SUPPLEMENTARY
INFORMATION

GATEWAY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND BUDGET AND ACTUAL
JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Local Sources	\$ 57,648,272	\$ 57,648,272	\$ 60,582,219	\$ 2,933,947
State Sources	22,478,797	22,478,797	22,554,064	75,267
Federal Sources	7,551,931	7,551,931	2,305,024	(5,246,907)
	<u>87,679,000</u>	<u>87,679,000</u>	<u>85,441,307</u>	<u>(2,237,693)</u>
Total revenue from local sources				
Expenditures				
Instruction	53,266,050	53,266,050	52,296,063	969,987
Facilities, Acquisiton, Construction and Improvement Services	5,773,234	5,773,234	791,093	4,982,141
Support Services	26,330,781	26,330,781	23,904,718	2,426,063
Noninstructional Services	1,485,998	1,485,998	1,391,025	94,973
Debt Service	5,152,937	5,152,937	5,152,937	-
	<u>92,009,000</u>	<u>92,009,000</u>	<u>83,535,836</u>	<u>8,473,164</u>
Total Current Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,330,000)</u>	<u>(4,330,000)</u>	<u>1,905,471</u>	<u>6,235,471</u>
				-
Other Sources (Uses):				
Transfers Out	<u>500,000</u>	<u>500,000</u>	-	(500,000)
Total Other Sources (Uses)	<u>500,000</u>	<u>500,000</u>	-	(500,000)
Net Change in Fund Balances	(3,830,000)	(3,830,000)	1,905,471	5,735,471
Fund Balance - Beginning of Year	<u>13,669,439</u>	<u>13,669,439</u>	<u>13,370,416</u>	<u>(299,023)</u>
Fund Balance - End of Year	<u>\$ 9,839,439</u>	<u>\$ 9,839,439</u>	<u>\$ 15,275,887</u>	<u>\$ 5,436,448</u>

GATEWAY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2023

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total OPEB liability						
Service cost	\$ 625,015	\$ 384,704	\$ 394,322	\$ 504,042	\$ 516,643	\$ 439,409
Interest	437,332	360,510	372,929	284,811	296,686	521,336
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	40,796	-	(228,451)	-	1,240,063
Changes of assumptions or other inputs	-	(4,614,732)	-	1,444,117	-	(728,523)
Benefit payments	<u>(641,487)</u>	<u>(408,400)</u>	<u>(391,448)</u>	<u>(336,464)</u>	<u>(233,231)</u>	<u>(257,293)</u>
Net change in total OPEB liability	420,860	(4,237,122)	375,803	1,668,055	580,098	1,214,992
Total OPEB liability - beginning	<u>14,271,104</u>	<u>14,691,964</u>	<u>10,454,842</u>	<u>10,830,645</u>	<u>12,498,700</u>	<u>13,078,798</u>
Total OPEB liability - ending	<u>\$ 14,691,964</u>	<u>\$ 10,454,842</u>	<u>\$ 10,830,645</u>	<u>\$ 12,498,700</u>	<u>\$ 13,078,798</u>	<u>\$ 14,293,790</u>
Covered-employee payroll	\$ 31,126,104	\$ 31,374,482	\$ 31,981,735	\$ 32,858,290	\$ 32,457,233	\$ 33,276,757
District's total OPEB liability as a percentage of covered-employee payroll	47.2%	33.3%	33.9%	38.0%	40.3%	43.0%

This schedule is to illustrate the requirement to present information for 10 years.
However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

GATEWAY SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – PSERS PLAN
 JUNE 30, 2023

	<u>2017</u>		<u>2018</u>		<u>2019</u>		<u>2020</u>		<u>2021</u>		<u>2022</u>
District's proportion of the net OPEB liability	0.2338%		0.2330%		0.2319%		0.2332%		0.2302%		0.2309%
District's proportionate share of the net OPEB liability	\$ 4,763,000	\$	4,858,000	\$	4,932,000	\$	\$5,039,000	\$	5,455,000	\$	4,250,000
District's covered payroll	31,126,104		31,374,482		31,981,735		32,858,290		32,457,233		33,276,757
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	15%		15%		15%		15%		17%		13%
Plan fiduciary net position as a percentage of the total OPEB liability	6%		6%		6%		6%		5%		7%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.

This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

GATEWAY SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS – PSERS PLAN
 JUNE 30, 2023

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually determined contribution	\$ 256,542	\$ 256,531	\$ 260,209	\$ 279,778	\$ 275,226	\$ 280,876	\$ 324,227
Contributions in relation to the actuarially determined contribution	<u>256,542</u>	<u>256,531</u>	<u>260,209</u>	<u>279,778</u>	<u>275,226</u>	<u>280,876</u>	<u>324,227</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 31,126,104	\$ 31,374,482	\$ 31,981,735	\$ 32,858,290	\$ 32,457,233	\$33,276,757	\$ 34,592,324
Contributions as a percentage of covered payroll	0.82%	0.82%	0.81%	0.85%	0.85%	0.84%	0.94%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.
 This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

GATEWAY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
TEACHERS PENSION PLAN
LAST 10 FISCAL YEARS*
(Dollar amounts in thousands)
JUNE 30, 2023

	2015	2016	2017	2018	2019	2020	2021	2022
District's proportion of the net pension liability	0.2444%	0.2387%	0.2338%	0.2330%	0.2319%	0.2341%	0.2308%	0.2315%
District's proportionate share of the net pension liability	\$ 105,863	\$ 118,292	\$ 115,470	\$ 111,852	\$ 108,489	\$ 115,269	\$ 94,759	\$ 102,922
District's covered-employee payroll	\$ 31,452	\$ 31,129	\$ 31,126	\$ 31,374	\$ 31,982	\$ 32,858	\$ 32,457	\$ 33,277
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	336.59%	380.01%	370.98%	356.50%	339.22%	350.81%	291.95%	309.29%
Plan fiduciary net position as a percentage of the total pension liability	54.36%	50.14%	51.84%	54%	54%	54%	64%	61%

* The amounts presented for each fiscal year were determined as of 6/30

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

GATEWAY SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS
 TEACHERS PENSION PLAN
 LAST 10 FISCAL YEARS*
 JUNE 30, 2023

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$ 7,863,015	\$ 9,089,731	\$ 10,066,529	\$ 10,694,362	\$ 10,998,890	\$ 10,959,874	\$ 11,407,402	\$ 11,942,074
Contributions in relation to the contractually required contribution	8,011,833	9,383,330	10,066,529	10,694,362	10,998,890	10,959,874	11,407,402	11,942,074
Contribution deficiency (excess)	<u>\$ (148,818)</u>	<u>\$ (293,599)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 31,452,059	\$31,126,104	\$ 31,374,482	\$ 31,981,735	\$ 32,858,290	\$ 32,457,233	\$ 33,276,757	\$ 34,592,324
Contributions as a percentage of covered-employee payroll	<u>25.47%</u>	<u>30.14%</u>	<u>32.09%</u>	<u>33.44%</u>	<u>33.47%</u>	<u>33.77%</u>	<u>34.28%</u>	<u>34.52%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.