

GATEWAY SCHOOL DISTRICT

MONROEVILLE, PENNSYLVANIA

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

GATEWAY SCHOOL DISTRICT
YEAR ENDED JUNE 30, 2020

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of GATEWAY SCHOOL DISTRICT, as of and for the year ended June 30, 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, each major fund, and the aggregate remaining fund information of GATEWAY SCHOOL DISTRICT as of June 30, 2020, 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.



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Board of Directors
Gateway School District
Page 2

Emphasis of Matter

As discussed in Note 14, subsequent events related to the COVID-19 may have a significant impact on the operations of the Authority. Management has determined that it is not possible to predict the eventual outcome of the subsequent event. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion is not modified with respect to this matter.

Adoption of GASB Statements

As described in Note 1 to the financial statements, in 2020 the District adopted the provisions of Governmental Accounting Standards Board's Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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-last 10 years, and related ratios information on pages 3 through 11 and 52 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2020, 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

December 22, 2020
Pittsburgh, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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, 2020 and 2019. 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, 2020 and 2019 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 12 through 13) 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 14. 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 5. 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 them. The District's net position, the difference between the District's assets 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, 2020

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, 2020 and 2019 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 8. The fund financial statements begin on page 14 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, 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, 2020

THE DISTRICT AS A WHOLE

The District's total net position was (\$93,657,507) at June 30, 2020 or an increase of \$1,085,643 or 1.14% over the prior fiscal year.

Table 1
Net Position
For the Years Ended June 30,

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	2020	2019	2020	2019	2020	2019
Assets:						
Current assets	\$ 16,428,420	\$ 17,931,396	\$ 747,959	\$ 419,653	\$ 17,176,379	\$ 18,351,049
Noncurrent assets	54,950,608	55,827,887	151,537	171,901	55,102,145	55,999,788
Deferred outflows of resources	<u>14,075,998</u>	<u>16,555,637</u>	<u>245,829</u>	<u>321,581</u>	<u>14,321,827</u>	<u>16,877,218</u>
Total assets	<u>85,455,026</u>	<u>90,314,920</u>	<u>1,145,325</u>	<u>913,135</u>	<u>86,600,351</u>	<u>91,228,055</u>
Liabilities:						
Current liabilities	9,025,766	9,292,407	(188,857)	(545,877)	8,836,909	8,746,530
Noncurrent liabilities	163,467,470	168,000,361	2,174,290	2,346,460	165,641,760	170,346,821
Deferred inflows of resources	<u>5,663,605</u>	<u>6,742,996</u>	<u>115,584</u>	<u>134,858</u>	<u>5,779,189</u>	<u>6,877,854</u>
Total liabilities	<u>178,156,841</u>	<u>184,035,764</u>	<u>2,101,017</u>	<u>1,935,441</u>	<u>180,257,858</u>	<u>185,971,205</u>
Net position:						
Invested in capital assets	14,870,703	13,073,609	151,537	171,901	15,022,240	13,245,510
Restricted for capital projects	-	10,287	-	-	-	10,287
Unrestricted	<u>(107,572,518)</u>	<u>(106,804,740)</u>	<u>(1,107,229)</u>	<u>(1,194,207)</u>	<u>(108,679,747)</u>	<u>(107,998,947)</u>
Total net position	<u>(92,701,815)</u>	<u>(93,720,844)</u>	<u>(955,692)</u>	<u>(1,022,306)</u>	<u>(93,657,507)</u>	<u>(94,743,150)</u>
Total liabilities and deferred inflows of resources and net position	<u>\$ 85,455,026</u>	<u>\$ 90,314,920</u>	<u>\$ 1,145,325</u>	<u>\$ 913,135</u>	<u>\$ 86,600,351</u>	<u>\$ 91,228,055</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 for capital projects balances are the remaining balances in the Capital Reserve Fund.

The results of the operations as a whole for the years ended June 30, 2020 and 2019 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, 2020 and 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2020

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

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues	\$ 15,475,507	\$ 14,355,742	\$ -	\$ -	\$ 15,475,507	\$ 14,355,742
Student activities	-	63,826	-	-	-	63,826
General revenues:						
Property taxes, net	44,431,153	43,504,765	-	-	44,431,153	43,504,765
Other taxes, net	7,602,116	7,520,500	-	-	7,602,116	7,520,500
Grants, subsidies, and contributions, unres.	7,042,937	6,952,669	1,518,970	1,545,155	8,561,907	8,497,824
Investment earnings	325,164	585,396	3,032	1,307	328,196	586,703
Charges for services	59,844	63,826	472,508	594,483	532,352	658,309
Capital grants and contributions	107,453	189,384	-	-	107,453	189,384
Community services	32,657	-	-	-	32,657	-
Miscellaneous income	568,985	662,551	-	-	568,985	662,551
Total revenues	<u>75,645,816</u>	<u>73,898,659</u>	<u>1,994,510</u>	<u>2,140,945</u>	<u>77,640,326</u>	<u>76,039,604</u>
Expenses:						
Instruction	49,343,933	46,117,382	-	-	49,343,933	46,117,382
Instruc. Student support	5,340,269	5,960,623	-	-	5,340,269	5,960,623
Admin. And financial support services	6,193,336	4,609,704	-	-	6,193,336	4,609,704
Operation and maint. of plant services	6,899,514	6,517,301	-	-	6,899,514	6,517,301
Pupil transportation	4,828,178	4,543,016	-	-	4,828,178	4,543,016
Student activities	1,189,310	1,383,201	-	-	1,189,310	1,383,201
Community services	70,282	48,048	-	-	70,282	48,048
Int. on long-term debt	761,965	1,401,891	-	-	761,965	1,401,891
Food services	-	-	1,927,896	1,899,081	1,927,896	1,899,081
Total expenses	<u>74,626,787</u>	<u>70,581,166</u>	<u>1,927,896</u>	<u>1,899,081</u>	<u>76,554,683</u>	<u>72,480,247</u>
Increase (decrease) in net position	1,019,029	3,317,493	66,614	241,864	1,085,643	3,559,357
Net position July 1	<u>(93,720,844)</u>	<u>(97,038,337)</u>	<u>(1,022,306)</u>	<u>(1,264,170)</u>	<u>(94,743,150)</u>	<u>(98,302,507)</u>
Net position June 30	<u>\$ (92,701,815)</u>	<u>\$ (93,720,844)</u>	<u>\$ (955,692)</u>	<u>\$ (1,022,306)</u>	<u>\$ (93,657,507)</u>	<u>\$ (94,743,150)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2020

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.

Table 3
Governmental Activities
For the Years Ended June 30,

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Instruction	\$ 49,343,933	\$ 46,117,382	\$ 40,182,232	\$ 38,183,833
Instruction student support	5,340,269	5,960,623	3,081,760	3,623,327
Administrative and financial support services	6,193,336	4,609,704	5,537,467	1,877,445
Operation and maintenance of plant services	6,899,514	6,517,301	6,484,540	5,771,147
Pupil transportation	4,828,178	4,543,016	1,783,880	3,872,706
Student activities	1,189,310	1,383,201	1,189,310	1,319,375
Community services	70,282	48,048	37,625	48,048
Interest on long-term debt	761,965	1,401,891	654,512	1,212,507
Total governmental Activities	\$ 74,626,787	\$ 70,581,166	58,951,326	55,908,388
Less: Unrestricted grants, subsidies			(6,983,093)	(6,952,669)
Total needs from local taxes and other revenues			\$ 51,968,233	\$ 48,955,719

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,

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net cost of Services</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Food Services	\$ 1,927,896	\$ 1,899,081	\$ (63,582)	\$ (240,557)
Less: Investment Earnings			(3,032)	(1,307)
Total business-type activities			\$ (66,614)	\$ (241,864)

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, 2020

THE DISTRICT'S FUNDS

At June 30, 2020, the District's governmental funds reported a combined fund balance of \$9,288,276 which is a net decrease of (\$1,210,803) or (11.53%) under the prior fiscal year. The primary reason for this net decrease is specific to one fund:

General Fund:

The District's General Fund Balance decreased by the net amount of (\$1,189,559). The primary reason for the net decrease was due to the General Fund making expenditure transfers to the Capital Reserve Fund to pay for required and budgeted capital repairs and upgrades to District school buildings and grounds. In addition, the resulting net decrease in the General Fund Balance was far less than originally budgeted for at (\$3,747,471) in spite of paying various categories of actual expenditures (equipment, technology supplies, purchased professional and technical services, and student tuition) greater than the budgeted expenditures. Fortunately, the effects of these additional expenditures were reduced by the District receiving actual revenues (real estate taxes, delinquent mercantile taxes, E-rate income, and current earned income taxes) greater than the budgeted revenues.

For the year ended June 30, 2020, the General Fund's total expenditures exceeded total appropriations by \$47,387 or .06%. The primary reason this occurred was due to the recording of \$306,941 in bond issuance costs that were not budgeted for during the fiscal year. Local revenues in the form of the net proceeds from the partial refinancing of the General Obligation Bonds Refunding Series of 2012 and the issuance of the General Obligation Bonds Refunding Series of 2020 received in excess of the amount budgeted in the current fiscal year provided the funds for these excess expenditures.

General Fund Budget

On June 30, 2020, the Gateway Board of School Directors (Board) passed the 2020-2021 General Fund Budget. The real estate tax millage rate increased from 19.8675 mills by 0.2980 mills or 1.50% to 20.1655 mills for the 2020-2021 fiscal year. One net mill of real estate taxes is worth approximately \$2,254,674 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, 2020, the District had total capital assets of \$117,377,302 invested in a broad range of capital assets, including land, buildings, and furniture and fixtures with the majority of that total, \$88,663,853 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 \$55,102,145 or a decrease of (1.60%) under the prior fiscal year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2020

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

<u>Capital Asset</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 4,281,588	\$ 4,281,588	\$ -	\$ -	\$ 4,281,588	\$ 4,281,588
Land Improvements	3,904,388	3,800,261	-	-	3,904,388	3,800,261
Buildings	7,554,936	7,884,129	-	-	7,554,936	7,884,129
Building Improvements	38,040,605	39,179,595	-	-	38,040,605	39,179,595
Furniture and Fixtures	1,169,091	682,314	151,537	171,901	1,320,628	854,215
Total capital assets	<u>\$ 54,950,608</u>	<u>\$ 55,827,887</u>	<u>\$ 151,537</u>	<u>\$ 171,901</u>	<u>\$ 55,102,145</u>	<u>\$ 55,999,788</u>

As of July 1, 2019, the District had total outstanding general obligation bonds of \$43,290,000. During the 2019-2020 fiscal year, the District issued \$23,570,000 in new bonds called the Refunding Series of 2020 General Obligation Bonds which partially refunded (\$21,590,000) of the outstanding 2012 General Obligation Bonds. In addition, the District made total payments (\$2,880,000) against the principal balance on the Refunding Series of 2012 General Obligation Bonds, the Refunding Series of 2016 General Obligation Bonds, and the Refunding Series of 2020 General Obligation Bonds during the 2019-2020 fiscal year. The resulting net ending outstanding general obligation bond balance at June 30, 2020 is \$42,390,000 as depicted in Table 6 below.

Table 6
Outstanding Debt
For the Years Ended June 30,

	<u>2020</u>	<u>2019</u>
General Obligation Bonds:		
Bonds, Refunding Series of 2012	\$2,540,000	\$24,905,000
Bonds, Refunding Series of 2016	16,485,000	18,385,000
Bonds, Refunding Series of 2020	<u>23,365,000</u>	<u>-</u>
Total General Obligation Bonds	<u>42,390,000</u>	<u>43,290,000</u>
Total Outstanding Debt:	<u>\$ 42,390,000</u>	<u>\$ 43,290,000</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 \$15,762,645 at June 30, 2020 is included in Note 13 to the financial statements. Detailed information regarding the District's net pension liability of \$108,489,000 at June 30, 2020 is included in Note 8 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2020

**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 financings 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 financings as explained above.

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. For the year ended June 30, 2020, the District refunded only \$8,079 of prior years' real estate tax revenue. 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 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 2020-2021 fiscal year.

The General Fund Revenue Budget for the 2020-2021 fiscal year is \$75,860,000 and represents a net decrease of (\$1,409,000) less than the 2019-2020 fiscal year revenue budget. This results in a net decrease of (1.82%) in budgeted revenues for the 2020-2021 fiscal year. The District did increase the real

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2020

estate tax millage rate (limited to Act 1 Index of 3.00% or the equivalent of 0.5960 mills available for a maximum increase) by 0.2980 mills or 1.50% from 19.8675 mills to 20.1655 mills for the 2020-2021 fiscal year. The majority of the net decrease in budgeted revenues is from the projected utilization of \$416,000 in Unassigned Fund Balance to assist in balancing the Budget with the partial real estate tax millage increase. This number has greatly decreased from the \$2,177,000 amount projected to be utilized during the 2019-2020 fiscal year which was to directly fund various required capital repair and improvement projects to the school buildings and grounds throughout the District, to fund the purchase of new copiers, and to balance the Budget. In addition, interest revenue and other current and delinquent year local tax revenues were also budgeted to decrease for the 2020-2021 fiscal year (1% decrease for current real estate tax revenues and 5% decreases for all other current and delinquent tax revenues) due to the uncertainties associated with the COVID-19 Pandemic. Thus, the ending General Fund Balance (comprised of Unassigned, Committed, and Nonspendable components) for the 2020-2021 fiscal year is projected to be \$8,872,257 at June 30, 2021.

The General Fund Expenditure Budget for the 2020-2021 fiscal year is \$75,860,000 and represents a net decrease of (\$1,409,000) less than the 2019-2020 fiscal year expenditure budget. This results in a net decrease of (1.82%) in budgeted expenditures for the 2020-2021 fiscal year. A significant portion of the net decrease is for the decrease in budgeted (\$1,504,000) expenditure transfers to the District's Capital Reserve Fund to directly fund various required capital repair and improvement projects to the school buildings and grounds throughout the District and for the decrease in the budgeted (\$346,000) purchase of new copiers. This Capital Reserve Fund expenditure transfer number has declined to \$0 during the 2020-2021 fiscal year.

During the 2019-2020 fiscal year and continuing into the 2020-2021 fiscal year, the District's General Fund has loaned funds to the District's Construction Fund to pay for the Architect design fees associated with the proposed Gateway Middle School building and grounds renovation project. At June 30, 2020, the balance of the Interfund Payable in the Construction Fund and the corresponding Interfund Receivable in the General Fund was \$572,907. It is anticipated the loaned funds will be repaid to the General Fund from the proceeds of the new General Obligation Bonds to be issued by the District and to be deposited into the Construction Fund to fund the entire Gateway Middle School Renovation Project.

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 15c2-12 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 Paul A. Schott, MS.Ed., PCSBA, Business Manager/Board Treasurer at the Gateway School District, Administration Offices, 9000 Gateway Campus Boulevard, Monroeville, PA 15146-3377, Phone Number: (412) 373-5706, e-mail: pschott@gatewayk12.org

GATEWAY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

Assets	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and Cash Equivalents	\$ 9,666,487	\$ 683,857	\$ 10,350,344
Accounts Receivable			
Taxes Receivable	1,356,092	-	1,356,092
Due from Other Governments	3,237,584	-	3,237,584
Other Receivables	914,818	7,837	922,655
Discount on Bonds, Net	30,965	-	30,965
Prepaid Expenses	1,222,474	-	1,222,474
Inventories	-	56,265	56,265
Capital assets:			
Non-depreciable	4,281,588	-	4,281,588
Depreciable (net)	50,669,020	151,537	50,820,557
Total Assets	71,379,028	899,496	72,278,524
Deferred Outflows of Resources			
Deferred Loss on Refunding Debt	2,310,095	-	2,310,095
Deferred Outflows Related to Pensions	11,326,447	236,861	11,563,308
Deferred Outflows Related to OPEB	439,456	8,968	448,424
Total Deferred Outflows of Resources	14,075,998	245,829	14,321,827
Total Assets and Deferred Outflows	\$ 85,455,026	\$ 1,145,325	\$ 86,600,351
Current Liabilities:			
Accounts Payable	\$ 1,319,763	\$ 28,619	\$ 1,348,382
Accrued Wages and Benefits	4,102,358	-	4,102,358
Accrued Interest on Debt	342,679	-	342,679
Unearned Revenue	53,775	34,044	87,819
Commodity Inventory	-	25,671	25,671
Internal Balances	277,191	(277,191)	-
Current Portion of Long-Term Liabilities:			
Bonds Payable	2,930,000	-	2,930,000
Non-Current Portion of Long-Term Liabilities			
Bonds Payable	39,460,000	-	39,460,000
Other Post Employment Benefits	15,727,607	35,038	15,762,645
Compensated Absences	1,879,723	50,392	1,930,115
Net Pension Liability	106,400,140	2,088,860	108,489,000
Total Liabilities	172,493,236	1,985,433	174,478,669
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	4,081,035	83,287	4,164,322
Deferred Inflows Related to OPEB	1,582,570	32,297	1,614,867
Total Deferred Inflows of Resources	5,663,605	115,584	5,779,189
Net Investment in Capital Assets	14,870,703	151,537	15,022,240
Unrestricted	(107,572,518)	(1,107,229)	(108,679,747)
Total Net Position (Deficit)	(92,701,815)	(955,692)	(93,657,507)
Total Liabilities, Deferred Inflows, and Net Position (Deficit)	\$ 85,455,026	\$ 1,145,325	\$ 86,600,351

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

GATEWAY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

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	\$ 49,343,933	\$ 59,844	\$ 9,101,857	\$ -	\$ (40,182,232)	\$ -	\$ (40,182,232)
Instructional Student Support	5,340,269	-	2,258,509	-	(3,081,760)	-	(3,081,760)
Administrative and Financial Support Services	6,193,336	-	655,869	-	(5,537,467)	-	(5,537,467)
Operation and Maintenance of Plant Services	6,899,514	-	414,974	-	(6,484,540)	-	(6,484,540)
Pupil Transportation	4,828,178	-	3,044,298	-	(1,783,880)	-	(1,783,880)
Student Activities	1,189,310	-	-	-	(1,189,310)	-	(1,189,310)
Community Services	70,282	-	32,657	-	(37,625)	-	(37,625)
Interest on Long-Term Debt	761,965	-	-	107,453	(654,512)	-	(654,512)
Total Government Activities	74,626,787	59,844	15,508,164	107,453	(58,951,326)	-	(58,951,326)
Business-Type Activities:							
Food Services	1,927,896	472,508	1,518,970	-	-	63,582	63,582
Total Primary Government	\$ 76,554,683	\$ 532,352	\$ 17,027,134	\$ 107,453	(58,951,326)	63,582	(58,887,744)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					44,431,153	-	44,431,153
Public Utility, Realty, Earned Income and Mercantile Taxes Levied for General Purposes					7,602,116	-	7,602,116
Grants, Subsidies, and Contributions Not Restricted					7,042,937	-	7,042,937
Investment Earnings					325,164	3,032	328,196
Miscellaneous Income					568,985	-	568,985
Total General Revenues					59,970,355	3,032	59,973,387
Change in Net Position					1,019,029	66,614	1,085,643
Net Position (Deficit) - Beginning					(93,720,844)	(1,022,306)	(94,743,150)
Net Position (Deficit) - Ending					\$ (92,701,815)	\$ (955,692)	\$ (93,657,507)

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

GATEWAY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Nonmajor Capital Reserve Fund	Construction Fund	Total Governmental Funds
<u>Assets</u>				
Cash and Cash Equivalents	\$ 9,666,480	\$ -	\$ 7	\$ 9,666,487
Taxes Receivable (Net)	1,356,092	-	-	1,356,092
Due From Other Funds	619,015	7,468	-	626,483
Due From Other Governments	3,237,584	-	-	3,237,584
Prepaid Expenditures	649,557	-	572,917	1,222,474
Other Receivables	914,818	-	-	914,818
Total Assets	16,443,546	7,468	572,924	17,023,938
<u>Liabilities</u>				
Due to Other Funds	330,767	-	572,907	903,674
Accounts Payable	1,312,295	7,468	-	1,319,763
Accrued Salaries and Benefits	4,102,358	-	-	4,102,358
Unearned Revenue	53,775	-	-	53,775
Total Liabilities	5,799,195	7,468	572,907	6,379,570
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue-Property Taxes	1,356,092	-	-	1,356,092
Total Deferred Inflows of Resources	1,356,092	-	-	1,356,092
<u>Fund Balances</u>				
Nonspendable	649,557	-	-	649,557
Committed	3,327,000	-	-	3,327,000
Assigned	-	-	17	17
Unassigned	5,311,702	-	-	5,311,702
Total Fund Balances	9,288,259	-	17	9,288,276
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 16,443,546	\$ 7,468	\$ 572,924	\$ 17,023,938

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

GATEWAY SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2020

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

Total fund balances of governmental funds	\$	9,288,276
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$116,291,397 and the accumulated depreciation is \$61,340,789.		54,950,608
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.		1,356,092
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	\$	(42,390,000)
Bond Discount, Net		30,965
Loss on Bond Refunding		2,310,095
Accrued Interest		(342,679)
Other Post Employment Benefits		(15,727,607)
Deferred Outflows Related to Pensions		11,326,447
Deferred Outflows Related to OPEB		439,456
Deferred Inflows Related to Pensions		(4,081,035)
Deferred Inflows Related to OPEB		(1,582,570)
Net Pension Liability		(106,400,140)
Compensated Absences		(1,879,723)
		<u>(158,296,791)</u>
Total net position of governmental activities	\$	<u>(92,701,815)</u>

GATEWAY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Nonmajor Capital Reserve Funds	Construction Fund	Total Governmental Funds
Revenues				
Property Taxes	\$ 50,469,491	\$ -	\$ -	\$ 50,469,491
Other Taxes	1,583,203	-	-	1,583,203
Federal Revenue Received From				
Other Public Schools	728,987	-	-	728,987
Fees and Charges	59,844	-	-	59,844
Earnings on Investments	324,871	276	17	325,164
Miscellaneous	568,985	-	-	568,985
State Sources	20,362,552	-	-	20,362,552
Federal Sources	1,567,015	-	-	1,567,015
Total Revenue	<u>75,664,948</u>	<u>276</u>	<u>17</u>	<u>75,665,241</u>
Expenditures				
Current Operating:				
Instruction	48,443,070	-	-	48,443,070
Support Services	22,550,454	1,146,806	-	23,697,260
Noninstructional Services	1,184,014	-	-	1,184,014
Debt Service:				
Principal	2,880,000	-	-	2,880,000
Interest	979,893	-	-	979,893
Total Expenditures	<u>76,037,431</u>	<u>1,146,806</u>	<u>-</u>	<u>77,184,237</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(372,483)</u>	<u>(1,146,530)</u>	<u>17</u>	<u>(1,518,996)</u>
Other Financing Sources (Uses)				
Interfund Transfers	(1,125,269)	1,125,269	-	-
Proceeds from refunding of debt	23,570,000	-	-	23,570,000
Debt Service - Refunded bonds	<u>(23,261,807)</u>	<u>-</u>	<u>-</u>	<u>(23,261,807)</u>
Total Other Financing Sources (Uses)	<u>(817,076)</u>	<u>1,125,269</u>	<u>-</u>	<u>308,193</u>
Net Change in Fund Balance	(1,189,559)	(21,261)	17	(1,210,803)
Fund Balance, Beginning of Year	<u>10,477,818</u>	<u>21,261</u>	<u>-</u>	<u>10,499,079</u>
Fund Balance, End of Year	<u>\$ 9,288,259</u>	<u>\$ -</u>	<u>\$ 17</u>	<u>\$ 9,288,276</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
 FOR THE YEAR ENDED JUNE 30, 2020

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

Net change in fund balances-total governmental funds \$ (1,210,803)

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	\$ 1,827,703	
Depreciation Expense	<u>(2,704,982)</u>	(877,279)

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.

Proceeds from Refunding Bonds	(23,570,000)	
Debt Service - Refunded Bonds	23,261,807	
Debt principal repayments	2,880,000	
Change in deferred loss	(144,590)	
Change in compensated absences	340,080	
Change in bond discount	(11,059)	
Change in accrued interest	<u>217,928</u>	2,974,166

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

Change in OPEB liability	(341,379)	
OPEB expense	<u>(427,937)</u>	(769,316)

Governmental funds do not report the changes in pension liability.

Change in net pension liability	3,295,740	
Pension expense	<u>\$ (2,412,904)</u>	882,836

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:

19,425

Change in net position of governmental activities \$ 1,019,029

GATEWAY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020

Assets	Business-Type Activities - Enterprise Fund Cafeteria Fund
Current Assets:	
Cash and Cash Equivalents	\$ 683,857
Other Receivable	7,837
Due from Other Funds	323,299
Inventories	56,265
Total Current Assets	1,071,258
Noncurrent Assets:	
Machinery and Equipment	1,085,905
Accumulated Depreciation	(934,368)
Total Noncurrent Assets	151,537
Total Assets	1,222,795
Deferred Outflows of Resources	
Pension:	
Deferred Contributions Subsequent to the Measurement Date	225,373
Deferred Difference Between Actual and Experienced	11,488
OPEB:	
Deferred Outflows related to OPEB	8,968
Total Deferred Outflows of Resources	245,829
Total Assets and Deferred Outflows	1,468,624
Liabilities	
Current Liabilities:	
Unearned Revenues	34,044
Accounts Payable	28,619
Due to Other Funds	46,108
Commodity Inventory	25,671
Total Current Liabilities	134,442
Noncurrent Liabilities:	
Compensated Absences	50,392
OPEB Liability	35,038
Net Pension Liability	2,088,860
Total Noncurrent Assets	2,174,290
Total Liabilities	2,308,732
Deferred Inflows of Resources	
Pension:	
Deferred Changes in Proportion	15,963
Difference between projected and actual investment earnings	36,935
Deferred Difference Between Actual and Experience	30,389
Deferred Inflows related to OPEB	32,297
Total Deferred Inflows of Resources	115,584
Net Position	
Net Investment in Capital Assets	151,537
Unrestricted	(1,107,229)
Total Net Position (Deficit)	(955,692)
Total Liabilities, Deferred Inflows and Net Position (Deficit)	\$ 1,468,624

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
YEAR ENDED JUNE 30, 2020

	Business-Type Activities - Enterprise Fund <u>Cafeteria Fund</u>
Operating Revenues	
Food Service Sales:	
Lunch and Breakfast Sales	\$ 451,085
Special Function Revenue	21,423
Total Operating Revenue	<u>472,508</u>
 Operating Expenses	
General Supplies	28,933
Food	683,040
Salaries	701,897
Employee Benefits	445,231
Depreciation	29,972
Other Purchased Services	3,008
Repairs and Maintenance	25,698
Travel	1,170
Miscellaneous, Dues and Fees	8,947
Total Operating Expenses	<u>1,927,896</u>
 Operating Loss	 <u>(1,455,388)</u>
 Nonoperating Revenues	
Federal Sources	1,325,401
States Sources	193,569
Earnings on Investments	3,032
Total Nonoperating Revenues	<u>1,522,002</u>
 Change in Net Position	 66,614
 Net Position (Deficit), Beginning of Year	 <u>(1,022,306)</u>
 Net Position (Deficit), End of Year	 <u>\$ (955,692)</u>

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

GATEWAY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Enterprise Fund- Food Service</u>
Cash Flows from Operating Activities:	
Cash Received From Users	\$ 472,508
Cash Payments to Employees for Services	(857,822)
Cash Payments to Suppliers for Goods and Services	(718,798)
Cash Payments for Other Operating Expenses	<u>(69,022)</u>
Net Cash Used for Operating Activities	<u>(1,173,134)</u>
Cash Flows From Noncapital Financing Activities:	
State Sources	193,569
Federal Sources	<u>1,325,401</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,518,970</u>
Cash Flows from Investing Activities:	
Earnings on Investments	<u>3,032</u>
Net Cash Provided by Investing Activities	<u>3,032</u>
Cash Flows from Capital Activities:	
Acquisition and Construction of Capital Assets	<u>(9,608)</u>
Net Cash Used by Capital Assets	<u>(9,608)</u>
Net Increase in Cash and Cash Equivalents	339,260
Beginning Cash and Cash Equivalents	<u>344,597</u>
Ending Cash and Cash Equivalents	<u>\$ 683,857</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating Loss	\$ (1,455,388)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and Amortization	29,972
(Increase) decrease in Assets and Deferred Outflows	
Accounts Receivable	5,259
Inventories	5,695
Due from Other Funds	302,504
Deferred Outflows	75,752
Increase (decrease) in Liabilities and Deferred Inflows	
Accounts Payable and Deferred Revenue	39,480
Due to Other Funds	(10,635)
Net Pension Liability	(157,025)
Deferred Inflows	(19,274)
Commodity Inventory	25,671
OPEB Liability	1,216
Compensated Absences	<u>(16,361)</u>
Net Cash Used In Operating Activities	<u>\$ (1,173,134)</u>

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

GATEWAY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020

Assets	Private Purpose Trust Fund	Fiduciary Fund
Current Assets:		
Cash and Cash Equivalents	\$ 24,361	\$ 108,582
Total Assets	24,361	108,582
Liabilities		
Current Liabilities:		
Due to Student Groups	-	108,582
Total Liabilities	-	108,582
Net position		
Reserved for Scholarships		
Total Net Position	\$ 24,361	\$ -

The accompanying notes are an integral part of these financial statements

GATEWAY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>Private Purpose Trust Fund</u>
Additions:	
Other Revenue	\$ -
Interest	14
Total Additions	<u>14</u>
Deductions:	
Scholarships Awarded	-
Total Deductions	<u>4,000</u>
	<u>4,000</u>
Change in Net Position	(3,986)
Net Position, Beginning of Year	28,347
Net Position, End of Year	<u>\$ 24,361</u>

GATEWAY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES-FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Student Activities Fund			
	Balance			Balance
	July 1, 2019	Additions	Reductions	June 30, 2020
High School:				
AIM	\$ 10	\$ 265	\$ 258	\$ 17
Amnesty	-			-
Art Club	437	21	392	66
Band	9,525	1,226	2,438	8,313
Black Student Union	1,068	275	275	1,068
Choir	1,476	-	-	1,476
Chick Fil A Leader Academy	-	963	651	312
Class of 2019	1,392	-	1,392	-
Class of 2020	3,060	5,780	2,630	6,210
Class of 2021	724	3,923	3,268	1,379
Class of 2022	214	116	106	224
Class of 2023	-	1,899	1,427	472
Community Service	14	-	-	14
Computer Club	323	-	-	323
Cooking Club	633	67	-	700
Culture Club	53	-	-	53
Environmental Club	2,136	1,094	567	2,663
FBLA	1,600	2,696	750	3,546
German Club	27	27	-	54
Gator Greenhouse	18	-	-	18
Interact	351	1,049	914	486
It's a Girl Thing	14	-	-	14
JCL	4	260	260	4
Key Club	501	-	-	501
Literacy Club	144	-	-	144
Musical	8,118	23,296	21,045	10,369
National Honor Society	45	113	82	76
Nursery	1,487	3,010	1,879	2,618
Orchestra	517	150	55	612
Portavian	2,193	1,160	2,777	576
Prom Committee	8,506	3,264	4,423	7,347
Robotics	7,861	10,653	11,701	6,813
SAGA	156	-	-	156
Science Club	376	2,249	2,246	379
SGA	8,082	15,621	14,189	9,514
Snowsports	1,467	9,853	9,864	1,456
Expect Respect	622	-	-	622
Tapestry	264	-	-	264
Teen Institute	341	-	-	341
The Future is Mine	368	1,412	845	935
Video Club	2,757	-	-	2,757
Youth Alive	268	-	-	268
Student Coffe ShopCafé	12,882	10,079	10,622	12,339
FCCLA	405	-	-	405
Gator Pride	173	-	-	173
Musical Theater	405	-	405	-
Void	(300)	-	-	(300)
NSF Checks	(520)	-	-	(520)
	<u>80,197</u>	<u>100,521</u>	<u>95,461</u>	<u>85,257</u>
Total High School				
Middle School:				
Student Council	1,310	1,189	1,482	1,017
Teams 7A, 7B, 7C	8,331	14,939	11,713	11,557
Teams 8A, 8B, 8C	8,069	12,533	10,341	10,261
Music Department	(647)	3,526	4,173	(1,294)
AIM	-	199	199	-
GEA Jean Fund	387	-	387	-
Donation Staff Lunch	(200)	-	-	(200)
Music Tee Shirts	(876)	-	-	(876)
Autism Walk	(28)	-	-	(28)
Softball Boosters	(40)	-	-	(40)
Creek Connections	528	4,115	1,821	2,822
Interest	54	52	-	106
	<u>16,888</u>	<u>36,553</u>	<u>30,116</u>	<u>23,325</u>
Total Middle School				
Total District	<u>\$ 97,085</u>	<u>\$ 137,074</u>	<u>\$ 125,577</u>	<u>\$ 108,582</u>

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

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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 criteria set forth in GASB Statement No. 61, The Financial Reporting Entity Omnibus—an Amendment of GASB Statement No. 14 and No. 39, is followed by the District to determine which governmental organizations should be included or excluded from the reporting entity. Criteria for inclusion of any entity (component unit) into a primary governmental unit's financial statements includes but is not limited to legal standing, fiscal dependency, imposition of will, financial benefit or burden and appointment of a voting majority of the governing board.

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, 2020 was \$808,064, 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, 2020 was \$20,815, 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, 2020

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, except for fiduciary funds.

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, proprietary funds, and the fiduciary 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. Fiduciary funds are reported by fund type.

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, 2020

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

Additionally, the District reports the following fiduciary funds:

The student activities fund accounts for students' activities in the District's high school and middle school. This is an agency fund.

The scholarship fund accounts for resources of monies contributed to the District for scholarships. This is a private-purpose trust fund.

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 and fiduciary 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 Cafeteria Fund, Capital Reserve Fund, and Athletic Fund (reported as part of the General Fund).

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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, 2020. 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, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) Inventory (Continued)

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, 2020

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:

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.

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q) Fund Balance (Continued)

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. The District has \$17 designated as assigned for future construction.

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

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R) Deferred Outflows/Inflows of Resources (Continued)

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. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance". The adoption of this statement had no effect on previously reported amounts.

T) Pending Changes in Accounting Principles

In January 2017, the GASB issued Statement No. 84 "Fiduciary Activities". The District is required to adopt Statement No. 84 for its fiscal year 2021 financial statements.

In June 2017, the GASB issued Statement No. 87, "Leases". The District is required to adopt Statement No. 87 for its fiscal year 2022 financial statements.

In June of 2018, The GASB issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period". The District is required to adopt statement No. 89 for its fiscal year 2021 financial statements.

In August of 2018, The GASB issued Statement No. 90, "Majority Equity Interests (an Amendment of GASB Statements No. 14 and No. 61)." The District is required to adopt Statement No. 90 for its fiscal year 2021 financial statements.

In May of 2019, The GASB issued Statement No. 91, "Conduit Debt Obligations". The District is required to adopt Statement No. 91 for its fiscal year 2023 financial statements.

In January of 2020, the GASB issued Statement No. 92, "Omnibus 2020". The District is required to adopt the requirements related to Statement 87 immediate and the rest of the requirement for its fiscal year 2022 financial statements.

In March of 2020, the GASB issued statement No. 93, "Replacement of Interbank Offered Rates". The District is required to adopt Statement No. 93, except for paragraphs 13 and 14, for its fiscal year 2021 financial statements. The District is required to adopt the requirements in paragraph 13 and 14 for its fiscal year 2022 financial statements.

In March of 2020, the GASB issued statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The District is required to adopt Statement No. 94 for its 2023 financial statements.

In May of 2020, the GASB issued statement No. 96 "Subscription-Based Information Technology Arrangements". The District is required to adopt Statement No. 96 for its fiscal year 2023 financial statements.

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T) Pending Changes in Accounting Principles (Continued)

In June of 2020, the GASB issued statement No. 97 " Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32". The District is required to adopt paragraphs 4 and 5 of this Statement immediately. The District is required to adopt all other paragraphs for its fiscal year 2022 financial statements.

The School 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.

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.

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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

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. The reported value of the pool is the same as the fair value of the pool shares.

In accordance with the Government Accounting Standards Board, investments in PSDLAF are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity or any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investment. The net asset value per share for the purpose of calculating the price at which shares are issued and redeemed is determined by the Administrator each banking day. Such determination is made by subtracting the liabilities from the value of the assets and dividing the remainder by the number of shares outstanding.

Although such requirement has been waived since 2005, all investments in PSDLAF's MAX Series by Settlers must be deposited for a minimum of 14 calendar days. No investment made in the MAX Series may be withdrawn by the Settlor making it during the first 14 calendar days after it is made without the incurrence of a penalty for such premature withdrawal. However, the 14-day minimum investment period does not apply to direct deposits of state aid payments into the MAX Series. In the event that a Settlor withdraws a deposit within such initial 14 calendar day period, it will be subject to a penalty equal to the loss of 14 days' interest on the amount so withdrawn. Such 14-day interest penalty shall be calculated on the basis of the dividend rates in effect for the MAX Series for the 14-day period immediately preceding the withdrawal date. Accordingly, the penalty will be equal to the dividend that would have been paid during the 14 days preceding the withdrawal date on the amount prematurely withdrawn. Such penalty will be payable even though the amount withdrawn has not been invested in the MAX Series for the full 14-day period preceding the withdrawal. However, as noted above, the 14-day minimum investment period has been waived since 2005 and would not be reinstated without notice to the Fund's Settlers.

As of June 30, 2020, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent or their account value.

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 and Fiduciary funds that addresses credit risk. As of June 30, 2020, the School District's operating investments were all maintained in Money Market funds with the Pennsylvania School District Liquid Asset Fund (PSDLAF).

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

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

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, 2020, the School District's cash balances for its governmental activities, business-type activities and agency fund were \$10,483,287 and its bank balances were \$12,195,198. These bank balances were 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.

Concentration of Credit Risk – The School District has no formal investment policy for operating investments pertaining to the concentration of credit risk. All of the School District's investments were in the PSDLAF.

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, 2020, 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, 2020, was 19.8675 mills (\$1.98675 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.

NOTE 5: DUE FROM OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the District. At June 30, 2020, the following amounts are due from other governmental units:

	Governmental Activities
Federal (through state)	\$ 808,828
State	2,428,756
Total	\$ 3,237,584

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 4,281,588	\$ -	\$ -	\$ 4,281,588
Total capital assets, not being depreciated	<u>4,281,588</u>	<u>-</u>	<u>-</u>	<u>4,281,588</u>
Capital assets, being depreciated:				
Land Improvements	9,919,184	604,405	-	10,523,589
Buildings	23,849,285	-	-	23,849,285
Building Improvements	64,237,624	576,944	-	64,814,568
Furniture and Fixtures	12,176,013	646,354	-	12,822,367
Total capital assets, being depreciated	<u>\$110,182,106</u>	<u>\$ 1,827,703</u>	<u>\$ -</u>	<u>\$112,009,809</u>
Less accumulated depreciation for:				
Land Improvements	\$ 6,118,923	\$ 500,278	\$ -	\$6,619,201
Buildings	15,965,156	329,193	-	16,294,349
Building Improvements	25,058,029	1,715,934	-	26,773,963
Furniture and Fixtures	11,493,699	159,577	-	11,653,276
Total accumulated depreciation	<u>58,635,807</u>	<u>2,704,982</u>	<u>-</u>	<u>61,340,789</u>
Total capital assets, being depreciated, net	<u>51,546,299</u>	<u>(877,279)</u>	<u>-</u>	<u>50,669,020</u>
Governmental activities, capital assets, net	<u>\$55,827,887</u>	<u>\$(877,279)</u>	<u>\$ -</u>	<u>\$ 54,950,608</u>
Business-type activities:				
Capital assets, being depreciated:				
Equipment	\$ 1,076,297	\$ 9,608	\$ -	\$ 1,085,905
Total capital assets, being depreciated	<u>1,076,297</u>	<u>9,608</u>	<u>-</u>	<u>1,085,905</u>
Less accumulated depreciation for:				
Equipment	<u>904,396</u>	<u>29,972</u>	<u>-</u>	<u>934,638</u>
Total accumulated depreciation	<u>904,396</u>	<u>29,972</u>	<u>-</u>	<u>934,638</u>
Total capital assets, being depreciated, net	<u>171,901</u>	<u>(20,364)</u>	<u>-</u>	<u>151,537</u>
Business-type activities, Capital assets, net	<u>\$ 171,901</u>	<u>\$(20,364)</u>	<u>\$ -</u>	<u>\$ 151,537</u>

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 6: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
Instruction:	
Regular	\$1,794,088
Support Services:	
Pupil Transportation	265,781
Instructional Staff	398,780
Administration	37,887
Operation and Maintenance of Plant	157,195
Operation of Noninstructional Services:	
Student Activities	49,602
Community Services	<u>1,649</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 2,704,982</u>
Business Type Activities:	
Cafeteria	<u>\$ 29,972</u>
Total Depreciation Expense-Business Type Activities	<u>\$ 29,972</u>

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 \$775,000 to \$810,000. 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, 2020, the repayment of the principal on the bond amounted to \$775,000 and interest on the bond amounted to 547,150. The outstanding principal balance at June 30, 2020 was \$2,540,000.

General Obligation Bonds Refunding Series of 2020, dated January 30, 2020 (Federally Taxable), the bonds were issued 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.

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, 2020 repayment of interest on the bond amounted to \$368,626. The outstanding principal balance at June 30, 2020 was \$16,485,000.

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 7: LONG-TERM DEBT (CONTINUED)

B) Compensated Absence Liability

At June 30, 2020, the amount of compensated absence liability was estimated as follows in the statement of net position:

	Governmental Activities	Business-Type Activities	Total
Long-term portion of compensated absences	\$ 1,879,723	\$ 50,392	\$ 1,930,115
Total	<u>\$ 1,879,723</u>	<u>\$ 50,392</u>	<u>\$ 1,930,115</u>

C) Future Scheduled Maturities

The future scheduled maturities of bonds payable are as follows:

	<u>General Obligation Bonds</u>			
	Series of 2020	Series of 2016	Series of 2012	Interest
2021	\$ 200,000	\$ 1,920,000	\$ 810,000	\$ 916,404
2022	205,000	1,950,000	845,000	813,681
2023	205,000	1,985,000	885,000	729,259
2024	1,130,000	2,025,000	-	660,641
2025	1,150,000	2,075,000	-	585,283
2026-2030	10,110,000	6,530,000	-	1,319,978
2031-2033	<u>10,365,000</u>	-	-	<u>1,081,082</u>
	<u>\$ 23,365,000</u>	<u>\$ 16,485,000</u>	<u>\$ 2,540,000</u>	<u>\$ 6,106,328</u>

D) Changes in Long-Term Debt

During the year ended June 30, 2020, long-term debt changed as follows:

	General Obligation Bonds	<u>Compensated Absences</u>	
		Governmental Activities	Business-Type Activities
Balance at July 1, 2019	\$43,290,000	\$2,219,803	\$66,753
Principal Retirement	(24,470,000)	-	-
Principal Additions	23,570,000	-	-
Change in Compensated Absence Liability	-	(340,080)	(16,361)
Balance at June 30, 2020	<u>\$42,390,000</u>	<u>\$1,879,723</u>	<u>\$50,392</u>

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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.

General Information about the Pension Plan:

Plan Description. The District contributes to the Commonwealth of Pennsylvania School Employees Retirement System ("PSERS"), a governmental cost-sharing multi-employer defined benefit plan. Benefit provisions of the plan are established under the provisions of the PSERS Code (Act No. 96 of October 2, 1975, as amended) (24 PA C. S. 8101-8535) and may be amended by an act of the Pennsylvania legislature. The plan provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member's accumulated contributions upon termination of a member's employment in the public school sector. PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to, PSERS, P.O. Box 125, Harrisburg, PA 17108-0125. This publication is also available on the PSERS website at www.psers.state.pa.us/publications/cafr/index.htm.

Benefits provided. PSERS provides retirement, disability, and death benefits. Retirement benefits are determined as 2.5 percent of the employee's final 3-year average compensation times the employee's years of service. Employees with 10 years of continuous service are eligible to retirement at age 60. Employees are eligible for service-related disability benefits regardless of length of service. Five years of services is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal two times the employee's final full-year salary.

Contributions. The contribution policy is established in the Public School Employee's Retirement Code and requires contributions by active members, employers and the Commonwealth. Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.5% (Membership Class T-D) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.5% (Membership Class T-D) of member's qualifying compensation. Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D.) For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member' qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-F contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 8: EMPLOYEE RETIREMENT PLAN (CONTINUED)

Employer Contributions. The school districts' contractually required contribution rate for fiscal year ended June 30, 2020 was 23.30% of covered payroll, actuarially determined as an amount that, when combines 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 \$10,988,890 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$108,489,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. 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, 2019, the District's proportion was 0.2319 percent, which was a decrease of .000011 from its proportion measured as of June 30, 2018.

	Governmental Activities	Business-Type Activities	Total
Net Pension Liability	\$ 106,400,140	\$ 2,088,860	\$ 108,489,000

For the fiscal year ended June 30, 2020, the Districts governmental activities recognized pension expense of \$3,055,946 and its business-type activities recognized pension expense of \$157,025. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	\$ -	\$ 1,809,791	\$ -	\$ 36,935
District contributions subsequent to the measurement date	10,763,517	-	225,373	-
Difference between actual and experience	562,930	1,489,042	11,488	30,389
Changes in proportions	-	782,202	-	15,963
Total	<u>\$ 11,326,447</u>	<u>\$ 4,081,035</u>	<u>\$ 236,861</u>	<u>\$ 83,287</u>

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 8: EMPLOYEE RETIREMENT PLAN (CONTINUED)

\$10,988,890 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, 2020. 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:	
2020	\$ (646,000)
2021	(2,561,000)
2022	<u>(382,904)</u>
Total	<u>\$ (3,589,904)</u>

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

Actuarial cost method	Entry Age Normal – level % of pay
Salary increases	5.00 percent, average, including inflation of 2.75 percent, and real wage growth and merit or seniority increases of 2.25 %
Investment rate of return	7.25 percent, net of pension plan investment expense, Including inflation of 2.75%

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to 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. For disabled annuitants the RP-2000 Combined Disability Tables (male and female) with age set back 7 years for males and 3 years for females to 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.

The actuarial assumptions used in the June 30, 2019 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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 target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 8: EMPLOYEE RETIREMENT PLAN (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.2%
Fixed Income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLP's	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	<u>-20.0%</u>	0.9%
	<u>100%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. 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 change in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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 one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Amounts x \$1,000 Current discount rate 7.25%	1% Increase 8.25%
District's share of the net pension liability	<u>\$ 135,135</u>	<u>\$ 108,489</u>	<u>\$ 85,926</u>

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.state.pa.us.

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 9: CONTINGENCIES

A) Litigation

The District is subject to various legal proceedings and claims which arise in the ordinary course of operations. In the opinion of management, the amount of ultimate uninsured liability, if any, with respect to these actions cannot be determined at this time.

B) 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.

C) Federal Grants

The District receives federal grants which require the fulfillment of conditions and compliance with applicable laws and regulations. The determination of whether instances of noncompliance will ultimately result in a disallowance of costs cannot presently be determined. Accordingly, no provisions that may result in the return of grant funds have been recognized in these financial statements.

D) 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.

NOTE 10: FUND BALANCE ALLOCATIONS

Nonspendable Fund Balance

The General Fund has \$649,557 in nonspendable fund balance at June 30, 2020, comprised of prepaid expenditures.

Committed Fund Balance

The Board has committed \$3,327,000 for future pension rate increases, future healthcare cost increases, and future capital repair projects.

Assigned Fund Balance

The Construction fund has \$17 in restricted fund balance as of June 30, 2020 for future capital projects.

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.

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 12: NET POSITION ALLOCATIONS

The portion of net position for governmental activities, shown on the government-wide statement of net position as net investment in capital assets, \$14,870,703. The residual amount of net assets remaining is a deficit of (\$107,572,518) 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 assets for business-type activities, shown on the government-wide statement of net position as net investment in capital assets is \$151,537. The residual amount of net position remaining is a deficit of (\$1,107,229) of which \$2,088,860 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 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, 2020, the following employees were covered by the benefit terms:

	<u>Administrators</u>	<u>Professionals</u>	<u>Teamsters</u>	<u>Total</u>
Active Participants	30	252	80	362
Retirees & Surviving Spouses				
Receiving OPEB Benefits	40	31	98	169
				<u>531</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 \$10,830,645 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 13: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Salary Increases	N/A
Discount rate	3.5 percent
Healthcare cost trend rates	1.90 percent for 2018, increasing to 5% for 2019 and later years

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.

Separate mortality rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement. A recent actuarial experience study was not performed.

Changes in the total OPEB Liability

The District's total OPEB liability has been measured as of June 30, 2020. The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, and by rolling forward the liabilities from the July 1, 2019 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$10,830,645, all of which is unfunded. As of June 30, 2020, the total OPEB liability of \$10,795,607 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position.

The District's change in its total OPEB liability for the year ended June 30, 2020 was as follows:

	Governmental Activities	Business-Type Activities	Total
Service Cost	\$ 393,046	\$ 1,276	\$ 394,322
Interest	371,723	1,206	372,929
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions or other inputs	-	-	-
Benefit payments	(390,182)	(1,266)	(391,448)
Net change in total OPEB liability	374,587	1,216	375,803
Net OPEB obligation - July 1, 2019	10,421,020	33,822	10,454,842
Net OPEB obligation - June 30, 2020	<u>\$ 10,795,607</u>	<u>\$ 35,038</u>	<u>\$ 10,830,645</u>

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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 percent) or 1 percentage point higher (4 percent) than the current discount rate:

	1% Decrease (2.5%)	Discount Rate (3.5%)	1% Increase (4.5%)
District's total OPEB liability	<u>\$ 9,400,052</u>	<u>\$ 10,830,645</u>	<u>\$12,519,235</u>

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 (0.9% increasing to 4.0%)	Healthcare Cost Trend Rates (1.9% increasing to 5.0%)	1% Increase (2.9% increasing to 6.0%)
District's total OPEB liability	<u>\$ 9,400,052</u>	<u>\$ 10,830,645</u>	<u>\$12,519,235</u>

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.state.pa.us.

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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.

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, 2018 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, 2019 was 0.83% 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 \$279,778 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$4,932,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. 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, 2020, the District's proportion was 0.2319% percent, which was a decrease of 0.000011 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized OPEB expense of \$131,175. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,146	\$ -
Changes of assumptions	123,000	1,541,438
Net difference between projected and actual investment earnings	20,500	-
Changes in proportion	-	73,429
District contributions subsequent to the measurement date	279,778	-
Total	<u>\$ 448,424</u>	<u>\$ 1,614,867</u>

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

\$279,778 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. 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:

2021	\$	125,957
2022		125,957
2023		(739,521)
2024		(751,998)
2025		(204,475)
Thereafter		(2,141)
	\$	<u>(1,446,221)</u>

Actuarial Assumptions. The total OPEB liability as of June 30, 2019 was determined by rolling forward the System's total OPEB liability as of the June 30, 2018 actuarial valuation to June 30, 2019 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 – 2.98% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% 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 the RP-2014 Mortality Tables for Males and Females adjusted to reflect PSERS' experience and projected using a modified version of the RP-2015 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, 2017 determined the employer contribution rate for fiscal year 2019.
- 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 rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits). A recent actuarial experience study was not performed. Investments consist

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

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, 2018 were:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	76.4%	0.6%
Fixed Income	23.6%	1.5%
Total	<u>100.0%</u>	

Discount rate. The discount rate used to measure the total OPEB liability was 3.13%. 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 3.13% which represents the S&P 20 year Municipal Bond Rate at June 30, 2018, 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, 2019, 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, 2018, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2018, 1,354 members were receiving less than the maximum amount allowed of \$1200 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.

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:

	<u>1% Decrease 1.79%</u>	<u>Healthcare Cost Trend Rate 2.79%</u>	<u>1% Increase 3.79%</u>
District's proportionate share of the net OPEB liability	<u>\$ 5,619,000</u>	<u>\$ 4,932,000</u>	<u>\$ 4,363,000</u>

GATEWAY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 (1.98 percent) or higher (3.98 percent) than the current discount rate:

	<u>1% Decrease</u> <u>(1.79%)</u>	<u>Discount Rate</u> <u>(2.79%)</u>	<u>1% Increase</u> <u>(3.79%)</u>
District's proportionate share of net OPEB liability	<u>\$ 4,931,000</u>	<u>\$ 4,932,000</u>	<u>\$ 4,933,000</u>

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: SUBSEQUENT EVENTS

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of the District's operations. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State and Federal tax revenues are also significantly decreased. This decrease could result in less grant money that is relied upon by local municipalities to fund specific projects. In addition, the District's own source revenue or derived revenues could be affected negatively. Overall, decreased funding could result in the District's having to curtail or eliminate some services.

NOTE 15: 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 \$5,469,514 to the Consortium during the fiscal year ending June 30, 2020. 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, 2020, the Consortium had net assets of approximately \$75,471,061 of which approximately \$1,572,968 is attributable to the District.

GATEWAY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 16: LEGAL COMPLIANCE

For the year ended June 30, 2020, the General Fund's total expenditures exceeded total appropriations by \$47,387 or .06%. The primary reason this occurred was due to the recording of \$306,941 in bond issuance costs that were not budgeted for during the fiscal year. Local revenues in the form of the net proceeds from the partial refinancing of the General Obligation Bonds Refunding Series of 2012 and the issuance of the General Obligation Bonds Refunding Series of 2020 received in excess of the amount budgeted in the current fiscal year provided the funds for these excess expenditures.

REQUIRED
SUPPLEMENTARY
INFORMATION

GATEWAY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Local Sources	\$ 51,483,379	\$ 51,483,379	\$ 53,006,394	\$ 1,523,015
State Sources	22,106,230	22,106,230	20,362,552	(1,743,678)
Federal Sources	3,679,391	3,679,391	2,296,002	(1,383,389)
	<u>77,269,000</u>	<u>77,269,000</u>	<u>75,664,948</u>	<u>(1,604,052)</u>
Expenditures				
Regular Programs	29,615,289	29,615,289	29,965,889	(350,600)
Special Programs	15,595,860	15,595,860	15,572,483	23,377
Vocational Programs	2,318,217	2,318,217	2,464,476	(146,259)
Other Instructional Programs	266,178	266,178	399,590	(133,412)
Non Public School Programs	45,000	45,000	40,632	4,368
Pupil Personnel Services	2,821,137	2,821,137	2,850,769	(29,632)
Instructional Staff Services	2,237,807	2,237,807	2,353,403	(115,596)
Administrative Services	4,289,665	4,289,665	4,661,377	(371,712)
Pupil Health	658,597	658,597	594,743	63,854
Business Services	1,010,277	1,010,277	992,735	17,542
Operation Maintenance	7,087,228	7,087,228	6,415,934	671,294
Student Transportation	4,191,721	4,191,721	4,122,525	69,196
Central and Other Support Services	625,517	625,517	558,968	66,549
Student Activities	1,322,658	1,322,658	1,138,058	184,600
Community Services	45,000	45,000	45,956	(956)
Debt Service	3,859,893	3,859,893	3,859,893	-
	<u>75,990,044</u>	<u>75,990,044</u>	<u>76,037,431</u>	<u>(47,387)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,278,956</u>	<u>1,278,956</u>	<u>(372,483)</u>	<u>(1,651,439)</u>
Other Sources (Uses):				
Proceeds from refunding debt	-	-	23,570,000	23,570,000
Debt Service - Refunded bonds	-	-	(23,261,807)	(23,261,807)
Transfers Out	<u>1,278,956</u>	<u>1,278,956</u>	<u>(1,125,269)</u>	<u>(2,404,225)</u>
Total Other Sources (Uses)	<u>1,278,956</u>	<u>1,278,956</u>	<u>(817,076)</u>	<u>(2,096,032)</u>
Net Change in Fund Balances	2,557,912	2,557,912	(1,189,559)	(3,747,471)
Net Position - Beginning of Year	<u>12,806,483</u>	<u>12,806,483</u>	<u>10,477,818</u>	<u>(2,328,665)</u>
Net Position - End of Year	<u>\$ 15,364,395</u>	<u>\$ 15,364,395</u>	<u>\$ 9,288,259</u>	<u>\$ (6,076,136)</u>

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB liability			
Service cost	\$ 625,015	\$ 384,704	\$ 394,322
Interest	437,332	360,510	372,929
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	40,796	-
Changes of assumptions or other inputs	-	(4,614,732)	-
Benefit payments	<u>(641,487)</u>	<u>(408,400)</u>	<u>(391,448)</u>
Net change in total OPEB liability	420,860	(4,237,122)	375,803
Total OPEB liability - beginning	<u>14,271,104</u>	<u>14,691,964</u>	<u>10,454,842</u>
Total OPEB liability - ending	<u>\$ 14,691,964</u>	<u>\$ 10,454,842</u>	<u>\$ 10,830,645</u>
Covered-employee payroll	\$ 31,126,104	\$ 31,374,482	\$ 31,981,735
District's total OPEB liability as a percentage of covered-employee payroll	47.2%	33.3%	33.9%

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, 2020

	<u>2018</u>		<u>2019</u>		<u>2020</u>
District's proportion of the net OPEB liability	0.2338%		0.2330%		0.2319%
District's proportionate share of the net OPEB liability	\$ 4,763,000	\$	4,858,000	\$	4,932,000
District's covered payroll	31,126,104		31,374,482		31,981,735
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	15%		15%		15%
Plan fiduciary net position as a percentage of the total OPEB liability	6%		6%		6%

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.

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 OPEB CONTRIBUTIONS - PSERS PLAN
JUNE 30, 2020

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually determined contribution	\$ 256,542	\$ 256,531	\$ 260,209	\$ 279,778
Contributions in relation to the actuarially determined contribution	<u>256,542</u>	<u>256,531</u>	<u>260,209</u>	<u>279,778</u>
Contribution deficiency	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 30,908,716	\$ 31,126,104	\$ 31,374,482	\$ 31,981,735
Contributions as a percentage of covered payroll	0.83%	0.82%	0.83%	0.87%

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
Schedules of Required Supplementary Information
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
Teachers Pension Plan
Last 10 Fiscal Years*
(Dollar amounts in thousands)

	2015	2016	2017	2018	2019
District's proportion of the net pension liability	0.2444%	0.2387%	0.2338%	0.2330%	0.2319%
District's proportionate share of the net pension liability	\$ 105,863	\$ 118,292	\$ 115,470	\$ 111,852	\$ 108,489
District's covered-employee payroll	\$ 31,452	\$ 31,129	\$ 31,126	\$ 31,374	\$ 31,982
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%
Plan fiduciary net position as a percentage of the total pension liability	54.36%	50.14%	51.84%	54%	54%

* 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.
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GATEWAY SCHOOL DISTRICT
Schedules of Required Supplementary Information
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Teachers Pension Plan
Last 10 Fiscal Years*

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 7,863,015	\$ 9,089,731	\$ 10,066,529	\$ 10,694,362	\$ 10,998,890
Contributions in relation to the contractually required contribution	8,011,833	9,383,330	10,066,529	10,694,362	10,998,890
Contribution deficiency (excess)	<u>\$ (148,818)</u>	<u>\$ (293,599)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 31,452,059	\$ 31,129,215	\$ 31,126,104	\$ 31,374,482	\$ 31,981,735
Contributions as a percentage of covered-employee payroll	<u>25.47%</u>	<u>30.14%</u>	<u>32.34%</u>	<u>34.09%</u>	<u>34.39%</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.

GATEWAY SCHOOL DISTRICT

MONROEVILLE, PENNSYLVANIA

**SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2020**

GATEWAY SCHOOL DISTRICT
SINGLE AUDIT REPORT

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The Independent Auditor's Report on the Financial Statements and the Financial Statements are bound separately.



Zelenkofske Axlerod LLC

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

We have performed the Single Audit of GATEWAY SCHOOL DISTRICT for the fiscal year ended June 30, 2020, and have enclosed the Single Audit report.

The single audit was performed to fulfill the requirements of Uniform Guidance. It entailed: 1. an audit of the financial statements and our opinion thereon; 2. an examination of the Schedule of Expenditures of Federal Awards and our opinion thereon; 3. a review of the internal control over financial reporting and on compliance and other matters based solely on the understanding obtained as part of the audit of the financial statements performed in accordance with *Government Auditing Standards*; and 4. a review of compliance with requirements applicable to each major programs and internal control over compliance in accordance with Uniform Guidance and our opinion thereon.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

December 22, 2020
Pittsburgh, Pennsylvania

GATEWAY SCHOOL DISTRICT
LIST OF REPORT DISTRIBUTION

- o Gateway School District – 9000 Gateway Campus Boulevard, Monroeville, Pennsylvania 15146 – Thirty-five copies of the Single Audit Report package.
- o Commonwealth of Pennsylvania, Office of the Budget: Bureau of Audits – filed electronically.
- o Federal Audit Clearinghouse: Bureau of the Census – filed electronically.



Zelenkofske Axlerod LLC

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of GATEWAY SCHOOL DISTRICT, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise of GATEWAY SCHOOL DISTRICT'S basic financial statements, and have issued our report thereon dated December 22, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered GATEWAY SCHOOL DISTRICT'S internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GATEWAY SCHOOL DISTRICT'S internal control. Accordingly, we do not express an opinion on the effectiveness of GATEWAY SCHOOL DISTRICT'S internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GATEWAY SCHOOL DISTRICT'S financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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Board of School Directors
Gateway School District
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Purpose of this Report

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

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

December 22, 2020
Pittsburgh, Pennsylvania



Zelenkofske Axlerod LLC

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REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Report on Compliance for Each Major Federal Program

We have audited GATEWAY SCHOOL DISTRICT'S compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of GATEWAY SCHOOL DISTRICT'S major federal programs for the year ended June 30, 2020. GATEWAY SCHOOL DISTRICT'S major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of GATEWAY SCHOOL DISTRICT'S major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about GATEWAY SCHOOL DISTRICT'S compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of GATEWAY SCHOOL DISTRICT'S compliance.

Opinion on Each Major Federal Program

In our opinion, GATEWAY SCHOOL DISTRICT, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.



Zelenkofske Axelrod LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Board of School Directors
Gateway School District
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Report on Internal Control over Compliance

Management of GATEWAY SCHOOL DISTRICT is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered GATEWAY SCHOOL DISTRICT'S internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of GATEWAY SCHOOL DISTRICT'S internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Zelenkofske Axlerod LLC

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Board of School Directors
Gateway School District
Page 7

Report on Schedule of Expenditures of Federal Awards-Required by Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of GATEWAY SCHOOL DISTRICT, as of and for the year ended June 30, 2020, and have issued our report thereon dated December 22, 2020 which contained an unmodified opinion on these financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise of GATEWAY SCHOOL DISTRICT'S financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Uniform Guidance, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied during the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

December 22, 2020
Pittsburgh, Pennsylvania

GATEWAY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/ Pass Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue @ 06/30/2019	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue @ 06/30/2020	Subrecipient Expenditures
U.S. Department of Education											
Passed Through Pennsylvania Department of Education											
Title I-Low Income	I	84.010	013-20-0162	19-20	\$ 719,190	\$ 719,190	\$ -	\$ 719,190	\$ 719,190	\$ -	\$ -
Title I-Low Income	I	84.010	013-19-0162	18-19	731,552	104,480	104,480	-	-	-	-
Total Title I Program					1,450,742	823,670	104,480	719,190	719,190	-	-
Title II-Improving Teacher Quality	I	84.367	020-20-0162	19-20	131,204	116,618	-	131,204	131,204	14,586	-
Title II-Improving Teacher Quality	I	84.367	020-19-0162	18-19	126,796	-	(2,855)	2,855	2,855	-	-
Total Title II Program					258,000	116,618	(2,855)	134,059	134,059	14,586	-
Title III-Language Instruction for Limited English Proficient and Immigrant Students	I	84.365	010-19-0162	18-19	17,040	7,303	7,303	-	-	-	-
Career and Technical Education-Program Improvement	I	84.048	383-003042	92-93	9,630	-	119	-	-	119	-
Safe and Drug-Free Schools-State Grants	I	84.186	100-100558	10-11	5,000	-	(2,362)	-	-	(2,362)	-
Total Title III Program					31,670	7,303	5,060	-	-	(2,243)	-
Title IV-Student Support and Academic Enrichment	I	84.424	144-20-0162	19-20	54,752	42,585	-	54,752	54,752	12,167	-
Title IV-Student Support and Academic Enrichment	I	84.424	144-19-0162	18-19	53,295	11,084	11,084	-	-	-	-
Total Title IV Program					108,047	53,669	11,084	54,752	54,752	12,167	-
Passed Through Lancaster-Lebanon Intermediate Unit											
IDEA-B	I	84.027	062-20-0033	19-20	10,000	-	-	9,525	9,525	9,525	-
IDEA-B	I	84.027	062-19-0033	18-19	10,000	10,000	10,000	-	-	-	-
Passed Through Allegheny Intermediate Unit (AIU)											
Special Education (IDEA) Cluster:											
Title III-Language Instruction for Limited English Proficient and Immigrant Students	I	84.365	N/A	19-20	6,000	-	-	6,000	6,000	6,000	-
IDEA-B	I	84.027	N/A	19-20	717,478	515,195	-	717,478	717,478	202,283	-
IDEA-B	I	84.027	N/A	18-19	732,854	233,955	233,955	-	-	-	-
Federal IDEA Section 619	I	84.173	N/A	19-20	1,984	1,984	-	1,984	1,984	-	-
Total Special Education (IDEA) Cluster					\$ 1,478,316	761,134	243,955	734,987	734,987	217,808	-
Total U.S. Department of Education						\$ 1,762,394	\$ 361,724	\$ 1,642,988	\$ 1,642,988	\$ 242,318	\$ -

*-Denotes tested as a major program

GATEWAY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/ Pass Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue @ 06/30/2019	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue @ 06/30/2019	Subrecipient Expenditures
<u>U.S Department of Agriculture</u>											
Passed Through the Pennsylvania Department of Education											
Child Nutrition Cluster											
National School Lunch Program	I	10.555	1-03-02-410-2	19-20	N/A	\$ 672,215	\$ -	\$ 688,115 *	\$ 688,115	\$ 15,900	\$ -
National School Lunch Program	I	10.555	1-03-02-410-2	18-19	N/A	114,634	114,634	- *	-	-	-
National School Lunch Program	I	10.555	1-03-02-410-2	17-18	N/A	-	21,670	- *	-	-	-
National School Lunch Program	I	10.555	1-03-02-410-2	16-17	N/A	-	16,437	- *	-	-	-
Summer Food Program	I	10.559	1-03-02-410-2	19-20	N/A	10,849	-	173,416 *	173,416	162,567	-
Summer Food Program	I	10.559	1-03-02-410-2	18-19	N/A	8,897	8,897	- *	-	-	-
School Breakfast Program - Regular/Needy	I	10.553	1-03-02-410-2	19-20	N/A	296,734	-	306,185 *	306,185	9,451	-
School Breakfast Program - Regular/Needy	I	10.553	1-03-02-410-2	18-19	N/A	41,820	41,820	- *	-	-	-
Total School Breakfast Program						338,554	41,820	306,185	306,185	9,451	-
Passed Through Pennsylvania Department of Agriculture											
National School Lunch Program-Donated Commodities	I	10.555	1-03-02-410-2	19-20	N/A	150,977	(30,712)	156,018 *	156,018	(25,671)	-
Summer Food Program-Donated Commodities	I	10.559	1-03-02-410-2	19-20	N/A	6,708	-	6,708 *	6,708	-	-
Total Child Nutrition Cluster						1,302,834	172,746	1,330,442 *	1,330,442	162,247	-
Total U.S. Department of Agriculture						1,302,834	172,746	1,330,442	1,330,442	162,247	-
<u>U.S. Department of Human Services Passed Through</u>											
Passed Through the Pennsylvania Department of Human Services											
Medical Assistance Access-Administrative Claiming Program	I	93.778	N/A	19-20	N/A	1,767	-	20,980	20,980	19,213	-
Medical Assistance Access-Administrative Claiming Program	I	93.778	N/A	18-19	N/A	13,731	13,731	-	-	-	-
Total U.S. Department of Welfare						15,498	13,731	20,980	20,980	19,213	-
Total Federal Awards						\$ 3,080,726	\$ 548,201	\$ 2,994,410	\$ 2,994,410	\$ 423,778	\$ -

*-Denotes tested as a major program

GATEWAY SCHOOL DISTRICT
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 REPORTING ENTITY

GATEWAY SCHOOL DISTRICT (the School District) is the reporting entity for financial reporting purposes as defined in Note 1 to the School District's financial statements.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards has been prepared on the basis of accounting practices prescribed or permitted by the Manual of Accounting and Related Financial Procedures for Pennsylvania School Systems, issued by the Pennsylvania Department of Education. These practices, as they apply to the School District, are in conformity with U.S. generally accepted accounting principles. The District did not use the 10% de minimis indirect cost rate.

NOTE 3: NON-MONETARY ASSISTANCE

Non-monetary assistance was received from the U.S. Department of Agriculture of \$157,685 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the year ended June 30, 2020, the District used \$162,726 in commodities and established a year-end inventory of \$25,671. The amount recognized as revenue of \$162,726 represents the commodities used, versus the commodities received, which are recognized as revenue in the basic financial statements.

NOTE 4: SOURCE CODES

Source codes are as follows:

Direct federal funds	D
Indirect federal funds	I

NOTE 5: RISK-BASED AUDIT APPROACH

The 2019/2020 threshold for determining Type A Programs is \$750,000.

The following high-risk Type A Program was audited as major:

<u>CFDA</u>	<u>Program</u>
10.553/10.555/10.559	Child Nutrition Cluster

The amount expended under programs audited as major federal programs for the year ended June 30, 2020, totaled \$1,330,442 or 44% of the total federal awards expended.

GATEWAY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified not considered to be material weaknesses?
___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified not considered to be material weaknesses?
___ yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with
Uniform Guidance ___ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes ___ no

Section II – Financial Statement Findings: Relating to the Financial Statement Audit as required to be reported in Accordance with Generally Accepted Government Auditing Standards.

No matters were reported

Section II - Federal Awards Findings and Questioned Costs

No matters were reported

GATEWAY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

Status of Prior Audit Findings

No matters were noted