

Gettysburg Montessori Charter School

**Financial Statements
And
Independent Auditor's Report**

Year Ended June 30, 2018

Gettysburg Montessori Charter School
Table of Contents
Year Ended June 30, 2018

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Position - Proprietary Fund	14
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	15
Statement of Cash Flows - Proprietary Fund	16
Notes to Financial Statements	17-35
Required Supplementary Information	
Governmental Fund Budgetary Comparison Schedule	36
Schedule of The School's Proportionate Share of the Net Pension Liability and Contributions	37
Schedule of The School's Proportionate Share of the Net OPEB Liability and Contributions	38
Notes to Required Supplementary Information	39
Other Reports Required by Government Auditing Standards	
Independent Auditor's 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	40-41

Independent Auditor's Report

To the Board of Trustees
Gettysburg Montessori Charter School
Gettysburg, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major fund of Gettysburg Montessori Charter School (the School), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School'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 of 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, and the major fund of Gettysburg Montessori Charter School as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018, on our consideration of Gettysburg Montessori Charter School'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 the 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 Gettysburg Montessori Charter School's internal control over financial reporting and compliance.



Certified Public Accountants
Elkins Park, Pennsylvania

December 6, 2018

Gettysburg Montessori Charter School Management's Discussion and Analysis June 30, 2018

The Board of Trustees of Gettysburg Montessori Charter School (the School) offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

Financial Highlights

- Total revenues increased by approximately \$350,000 due mainly to an increase in the student population.
- At the close of the current fiscal year, the School reports an ending general fund balance of \$463,051. This balance was the result of a \$214,863 surplus for the year ended June 30, 2018.
- The School's cash balance at June 30, 2018 was \$632,286, representing an increase of \$236,408 from June 30, 2017.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements as presented comprise three components: Management's Discussion and Analysis (this section), the basic financial statements, and supplementary information.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the components (assets and deferred outflows of resources, less liabilities and deferred inflows of resources) reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *statement of activities* presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements report on the function of the School that is principally supported by subsidies from school districts whose constituents attend the School.

In the statement of net assets and the statement of activities, the School is divided into two kinds of activities:

Governmental activities - Most of the School's basic services are reported here.

Gettysburg Montessori Charter School Management's Discussion and Analysis June 30, 2018

Overview of the Financial Statements (Continued)

Government-Wide Financial Statements (Continued)

Business-type activities - The School offers breakfast and lunch to the students.

Fund Financial Statements

A *fund* is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The School, like governmental type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School's two kinds of funds, governmental and proprietary, use different accounting approaches.

Most of the School's basic services 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 readily be converted to cash. Such information is useful in assessing the School's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

When the School charges students for services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the School's enterprise fund (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary Information

The governmental fund budgetary comparison schedule, schedule of the school's proportionate share of the net pension liability and contributions, and schedule of the school's proportionate share of the net OPEB liability, are presented for purposes of additional analysis.

Government-Wide Financial Analysis

Management has adopted Governmental Accounting Standards Board (GASB) Statement 34 which requires a comparative analysis of current and prior periods.

**Gettysburg Montessori Charter School
Management's Discussion and Analysis
June 30, 2018**

Government-Wide Financial Analysis (Continued)

	2018	2017
Assets		
Current assets	\$ 712,477	\$ 462,166
Noncurrent assets	1,669,973	1,611,341
	2,382,450	2,073,507
Deferred Outflows of Resources	690,069	1,030,915
Liabilities		
Current liabilities	309,533	1,264,477
Long-term liabilities	3,125,079	2,726,000
	3,434,612	3,990,477
Deferred Inflows of Resources	749,255	337,000
Net Position	\$ (1,111,348)	\$ (1,223,055)

As noted earlier, net position may serve over time as a useful indicator of a school's financial position. In the case of the School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,111,348 as of June 30, 2018.

The School's revenues are predominately local school district's funds based on the student enrollment. For the year ended June 30, 2018, the School's total revenues of \$2,790,589 exceeded expenditures of \$2,565,563 by \$225,026.

	2018	2017
Revenues		
Program revenues		
Local educational agency assistance	\$ 2,610,796	\$ 2,296,138
State sources	3,456	9,638
Federal sources	72,562	49,985
General revenues		
Other revenues	37,715	29,201
Food service	66,060	55,251
Total revenues	2,790,589	2,440,213

**Gettysburg Montessori Charter School
Management's Discussion and Analysis
June 30, 2018**

Government-Wide Financial Analysis (Continued)

Expenditures		
Instruction	1,590,905	1,517,495
Support services	738,276	732,098
Noninstructional services	128,648	118,573
Depreciation expense	51,074	30,280
Interest expense	56,660	46,678
Total expenditures	<u>2,565,563</u>	<u>2,445,124</u>
Change in net position	225,026	(4,911)
Net position, beginning	(1,223,055)	(1,218,144)
Restatement (see Note 17)	<u>(113,319)</u>	<u>-</u>
Net position, ending	<u>\$ (1,111,348)</u>	<u>\$ (1,223,055)</u>

Governmental Fund

The focus of the School's *governmental fund* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

The School's governmental fund (the General Fund) reported an ending fund balance of \$463,051.

Budget Variations

The actual revenues represent an increase from budgeted revenues of \$201,826 due to increases as follows:

Local educational agency assistance	\$ 146,678
Other sources	13,384
State sources	(5,208)
Federal sources	46,972
	<u>\$ 201,826</u>

Actual expenditures increased \$79,862 from the budget due to increases (decreases) as follows:

Instruction	\$ 91,356
Support services	(175,860)
Noninstructional services	1,493
Capital outlay	65,085
Debt service	97,788
	<u>\$ 79,862</u>

Gettysburg Montessori Charter School Management's Discussion and Analysis June 30, 2018

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2018, the School's investment in capital assets for its governmental activities totaled \$1,661,608 (net of accumulated depreciation). This investment in capital assets includes furniture and equipment, and building and improvements.

Major capital assets purchases during the year included the following:

- Capital expenditures of \$83,548 for building and improvements.
- Capital expenditures of \$17,794 for equipment.

Additional information on the School's capital assets can be found in Note 4 of this report.

Long-Term Debt

The School has long-term debt of \$1,014,972 as of June 30, 2018. Additional information regarding the School's long-term debt can be found in Note 9 of this report.

Economic Factors and Next Year's Budgets and Rates

The School's primary source of revenue, the per student subsidy provided by local school districts, is expected to decrease approximately \$108,000 for fiscal year 2018-2019, based on an anticipated student enrollment level slightly less than that of the 2017-2018 school year and a slight decrease in tuition rates.

Future Events that will Financially Impact the School

Except as listed above economic factors, there are no known future events that will financially impact the School.

Contacting the School's Financial Management

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to the CEO, Gettysburg Montessori Charter School, 888 Coleman Road, Gettysburg, PA 17325.

Gettysburg Montessori Charter School
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Governmental Activities
Assets			
Cash and cash equivalents	\$ 632,286	\$ -	\$ 632,286
Due from local school districts, net of allowance for bad debts	628	-	628
Federal subsidies receivable	37,991	5,660	43,651
State subsidies receivable	-	338	338
Prepaid expenses	35,574	-	35,574
Property and equipment, net	1,661,608	-	1,661,608
Deposits	8,365	-	8,365
Total assets	<u>2,376,452</u>	<u>5,998</u>	<u>2,382,450</u>
Deferred Outflows of Resources			
Deferred outflows of resources	<u>690,069</u>	<u>-</u>	<u>690,069</u>
Liabilities			
Long-term debt			
Due within one year	49,893	-	49,893
Due after one year	965,079	-	965,079
Accounts payable	51,191	7,847	59,038
Accrued expenses	175,182	-	175,182
Due to local school districts	25,420	-	25,420
Net OPEB liability	86,000	-	86,000
Net pension liability	2,074,000	-	2,074,000
Total liabilities	<u>3,426,765</u>	<u>7,847</u>	<u>3,434,612</u>
Deferred Inflows of Resources			
Deferred inflows of resources	<u>749,255</u>	<u>-</u>	<u>749,255</u>
Net Position			
Invested in capital assets, net	1,661,608	-	1,661,608
Unrestricted	<u>(2,771,107)</u>	<u>(1,849)</u>	<u>(2,772,956)</u>
	<u>\$ (1,109,499)</u>	<u>\$ (1,849)</u>	<u>\$ (1,111,348)</u>

See accompanying notes to financial statements.

Gettysburg Montessori Charter School
Statement of Activities
Year Ended June 30, 2018

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business - Type Activities	
Governmental Activities						
Instruction	\$ 1,590,905	\$ 1,783,257	\$ 76,018	\$ 268,370	\$ -	\$ 268,370
Support services	738,276	827,539	-	89,263	-	89,263
Noninstructional services	33,940	34,459	-	519	-	519
Depreciation expense	51,074	-	-	(51,074)	-	(51,074)
Interest expense	56,660	-	-	(56,660)	-	(56,660)
Total governmental activities	<u>2,470,855</u>	<u>2,645,255</u>	<u>76,018</u>	<u>250,418</u>	<u>-</u>	<u>250,418</u>
Business-Type Activities						
Food service	94,708	18,556	47,504	-	(28,648)	(28,648)
	<u>\$ 2,565,563</u>	<u>\$ 2,663,811</u>	<u>\$ 123,522</u>	250,418	(28,648)	221,770
General Revenues						
Other revenues				3,256	-	3,256
Transfers				(20,800)	20,800	-
Change in net position				232,874	(7,848)	225,026
Net Position - Beginning of Year (as restated)				(1,342,373)	5,999	(1,336,374)
Net Position - End of Year				<u>\$ (1,109,499)</u>	<u>\$ (1,849)</u>	<u>\$ (1,111,348)</u>

See accompanying notes to financial statements.

Gettysburg Montessori Charter School
Balance Sheet-Governmental Fund
June 30, 2018

	General Fund
Assets	
Cash and cash equivalents	\$ 632,286
Due from local school districts, net of allowance for bad debts	628
Federal subsidies receivable	37,991
Prepaid expenses	35,574
Security deposits	8,365
Total assets	\$ 714,844
Liabilities	
Accounts payable	\$ 51,191
Accrued expenses	175,182
Due to local school districts	25,420
Total liabilities	251,793
Fund Balances	
Nonspendable	43,939
Unassigned	419,112
	463,051
	\$ 714,844

See accompanying notes to financial statements.

Gettysburg Montessori Charter School
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2018

Total Fund Balance for Governmental Funds	\$	463,051
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land, building and improvements	1,694,425	
Furniture and equipment	83,314	
Accumulated depreciation	<u>(116,131)</u>	
		1,661,608

Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Long-term liabilities at year end consist of:

Long-term debt		(1,014,972)
Net OPEB liability		(86,000)
Net pension liability		(2,074,000)

Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources		690,069
Deferred inflows of resources		<u>(749,255)</u>

Total Net Position of Governmental Activities	\$	<u>(1,109,499)</u>
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Gettysburg Montessori Charter School
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
Year Ended June 30, 2018

	General Fund
Revenues	
Local educational agency assistance	\$ 2,610,796
State sources	3,456
Federal sources	72,562
Other revenues	37,715
Total revenues	2,724,529
Expenditures	
Instruction	1,525,291
Support services	730,108
Noninstructional services	33,940
Capital outlay	101,342
Debt service	98,185
Total expenditures	2,488,866
Revenues in Excess of Expenditures	235,663
Other Financing Uses	
Interfund transfers out	(20,800)
Net Change in Fund Balance	214,863
Fund Balance - Beginning of Year	248,188
Fund Balance - End of Year	\$ 463,051

See accompanying notes to financial statements.

Gettysburg Montessori Charter School
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended June 30, 2018

Net Change in Fund Balance - Total Governmental Funds \$ 214,863

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense. This is the amount by which capital outlays exceeds depreciation in the current period.

Capital outlays	101,342	
Depreciation expense	(51,074)	
	50,268	50,268

The governmental funds report note proceeds as financing sources, while repayment of note principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. The net effect of these differences in the treatment of notes payable is as follows:

Repayments of note principal		41,525
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Governmental funds report School pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

School pension contributions	175,588	
Cost of benefits earned net of employee contributions	(249,370)	
	(73,782)	

Change in Net Position of Governmental Activities **\$ 232,874**

Gettysburg Montessori Charter School
Statement of Net Position
Proprietary Fund
June 30, 2018

	Enterprise Fund <hr/> Food Service Fund
Assets	
Federal and state subsidies receivable	\$ 5,998
Liabilities	
Accounts payable and accrued expenses	<hr/> 7,847
Net Position	
Unrestricted	\$ <hr/> (1,849)

See accompanying notes to financial statements.

Gettysburg Montessori Charter School
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2018

	Enterprise Fund
	Food Service Fund
Operating Income	\$ 18,556
Operating Expenses	
Food	70,607
Salaries	20,884
Other expenses	3,217
	94,708
Operating loss	(76,152)
Nonoperating Revenues	
Federal and state grants	47,504
	47,504
Loss before interfund transfers	(28,648)
Interfund transfers in	20,800
	20,800
Change in Net Position	(7,848)
Net Position - Beginning of Year	5,999
Net Position - End of Year	\$ (1,849)

See accompanying notes to financial statements.

Gettysburg Montessori Charter School
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2018

	Enterprise Fund
	Food Service Fund
Cash Flows From Operating Activities	
Cash received from students	\$ 18,556
Payments to suppliers	(62,760)
Payments to employees	(20,884)
Payments to others	(3,217)
Net cash used in operating activities	(68,305)
Cash Flows From Noncapital Financing Activities	
Cash received from Federal and state grants	47,505
Transfer to other fund	20,800
Net cash provided by noncapital financing activities	68,305
Net change in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	\$ -
Reconciliation of Operating Loss to Net Cash Used In Operating Activities	
Operating loss	\$ (76,152)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Change in operating liabilities - accounts payable and accrued expenses	7,847
Net cash used in operating activities	\$ (68,305)

See accompanying notes to financial statements.

Gettysburg Montessori Charter School

Notes to Financial Statements

June 30, 2018

Note 1 Background and Summary of Significant Accounting Policies

Gettysburg Montessori Charter School (the School) is organized as a nonprofit corporation in Pennsylvania to operate a charter school in accordance with Pennsylvania Act 22 of 1997. The School is operating under a charter school contract ending on June 30, 2020.

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report on the School as a whole. The statement of activities demonstrates the degree to which the direct expenses of the School's function are offset by program revenues.

The fund financial statements (governmental fund balance sheet and statement of governmental fund revenues, expenditures and changes in fund balance) report on the School's general fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The funds utilized by the School and brief descriptions of their accounting purposes are as follows:

Gettysburg Montessori Charter School
Notes to Financial Statements
June 30, 2018

Note 1 Background and Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental Fund - The fund listed below is the fund through which most governmental functions are furnished.

General Fund – The General Fund is the operating fund of the School and accounts for all revenues and expenditures of the School.

Proprietary Fund - The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the School:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services, and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

Amounts reported as program revenues include a per-student subsidy from local school Schools as well as federal and state grants. Internally dedicated resources are reported as general revenues rather than as program revenues.

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 a proprietary fund's principal ongoing operations.

Method of Accounting

The School has adopted the provision of Statement No. 34 (“Statement 34”) of the Governmental Accounting Standards Board “*Basic Financial Statements – and Managements’ Discussion and Analysis – for State and Local Governments.*” Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position and a statement of activities. It requires the classification of net position into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These calculations are defined as follows:

Gettysburg Montessori Charter School
Notes to Financial Statements
June 30, 2018

Note 1 Background and Summary of Significant Accounting Policies (Continued)

Method of Accounting (Continued)

- Invested in capital assets, net of related debt – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted – This component of net position consists of constraints placed on asset use through external constraints imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – This component of net position typically includes unrestricted liquid assets.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed for the included program. •

Fund Balances - Governmental Funds

The School elected to implement GASB No. 54, *Fund Balance Reporting and Governmental Type Definition* during the year ended June 30, 2012. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The School classified prepaid expenses and security deposits as being nonspendable as these items are not expected to be converted to cash.
- Restricted - included amounts restricted by external sources, such as creditors or grantors, or by constitutional provision or enabling legislation.
- Committed - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees.
- Assigned - includes amounts that the School intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.

Gettysburg Montessori Charter School
Notes to Financial Statements
June 30, 2018

Note 1 Background and Summary of Significant Accounting Policies (Continued)

Fund Balances - Governmental Funds (Continued)

- Unassigned - includes all amounts that are not included in other spendable classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual budget is adopted for the General Fund.

The Budgetary Comparison Schedule should present both the original and the final appropriated budgets for the reporting period. The School only has a general fund budget; therefore, the original budget filed and accepted by the Pennsylvania Department of Education is the final budget as well.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the School's cash and cash equivalents is considered to be cash on hand and demand deposits.

Gettysburg Montessori Charter School
Notes to Financial Statements
June 30, 2018

Note 1 Background and Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk

Periodically, the School may maintain deposits in excess of the Federal Deposit Insurance Corporation's limit of \$250,000 with financial institutions. Under Pennsylvania Act 72, financial institutions pledge collateral on a pooled basis to secure public deposits in excess of FDIC insurance limits. The School's accounts are covered by this Act.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. The School does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Capital assets of the School are depreciated using the straight-line method over the useful lives of the assets; furniture and equipment (5 years) and building and improvements (25 years).

Deferred Outflows/Inflows of Resources

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of net position and related disclosures. In compliance with Statement No. 63, the statement of net position includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Advertising Costs

All costs associated with advertising and promotions are recorded as expenditures in the year incurred.

Income Tax Status

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code. The School adopted the provisions of ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management evaluated the School's tax positions and concluded that the School had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The School files a Return of Organizations Exempt from Income Tax annually. The School's returns for 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

Gettysburg Montessori Charter School
Notes to Financial Statements
June 30, 2018

Note 1 Background and Summary of Significant Accounting Policies (Continued)

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 the fiduciary net position of the Public School Employees' 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 the benefit terms investments are reported at fair value.

General Information About the Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

Gettysburg Montessori Charter School
Notes to Financial Statements
June 30, 2018

Note 1 Background and Summary of Significant Accounting Policies (Continued)

Pensions (Continued)

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

Contributions

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (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 7.50% (Membership Class T-D) of the 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's 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-E 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%.

Employer Contributions:

The School's contractually required contribution rate for fiscal year ended June 30, 2018 was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School were \$171,113 for the year ended June 30, 2018.

Gettysburg Montessori Charter School
Notes to Financial Statements
June 30, 2018

Note 1 Background and Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. 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. Effective January 1, 2002 under the provisions of Act 9 of 2001, 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, 2017 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24.5 or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate of the HOP or employer-sponsored health insurance program.

Pension Plan Description

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

Gettysburg Montessori Charter School
Notes to Financial Statements
June 30, 2018

Note 1 Background and Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefits (Continued)

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017 there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School's contractually required contribution rate for the fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School were \$4,475 for the year ended June 30, 2018.

Note 2 Cash and Cash Equivalents

The School's cash and cash equivalents balance at June 30, 2018 was \$632,286. The actual amount of cash on deposit in the School's bank accounts at June 30, 2018 was \$633,092. As of June 30, 2018 the School's bank balance was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by the pledging bank's trust department, not in the School's name	<u>\$ 375,232</u>
Insured amount	<u>\$ 257,860</u>

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School's uninsured deposits may not be returned. The School does not have a policy for custodial credit risk.

Note 3 Receivables

Receivables as of June 30, 2018 consist primarily of subsidies from federal, state, and local authorities. The School has provided an allowance for bad debts of \$43,012 as of June 30, 2018.

Note 4 Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

Gettysburg Montessori Charter School
Notes to Financial Statements
June 30, 2018

Note 4 Capital Assets

	Balance, 7/1/17	Additions	Deletions	Balance, 6/30/18
Governmental Activities				
Furniture and equipment	\$ 65,520	\$ 17,794	\$ -	\$ 83,314
Land	60,000	-	-	60,000
Building and improvements	1,550,877	83,547	-	1,634,424
	<u>1,676,397</u>	<u>101,341</u>	<u>-</u>	<u>1,777,738</u>
Less: accumulated depreciation	65,056	51,074	-	116,130
	<u>\$ 1,611,341</u>	<u>\$ 50,267</u>	<u>\$ -</u>	<u>\$ 1,661,608</u>

Depreciation and amortization expense was \$51,074 for the year ended June 30, 2018.

Note 5 Line of Credit

The School maintains a \$100,000 line of credit agreement (line) with Centric Bank payable on demand which accrues interest at the prime rate plus 1.5%. The line is subject to review on an annual basis and is used for working capital purposes and collateralized by School assets. As of June 30, 2018, \$100,000 was available to be drawn upon. There was no activity on the line during the year ended June 30, 2018.

Note 6 Funding

The School received funding from various local school Schools on a monthly basis based on enrollment. The rate of funding per student is determined on an annual basis.

Note 7 Interfund Transfers

Operating transfers in/out to other funds consists of the following:

	Transfer In	Transfer Out
General fund	\$ -	\$ 20,800
Food service fund	20,800	-
	<u>\$ 20,800</u>	<u>\$ 20,800</u>

Note 8 Commitments

Operating Lease

The School leases modular classrooms in Gettysburg, Pennsylvania under an operating lease which expires in July 2021. Lease expense was \$100,380 for the year ended June 30, 2018.

Gettysburg Montessori Charter School
Notes to Financial Statements
June 30, 2018

Note 8 Commitments (Continued)

Operating Lease (Continued)

Future lease maturities as of June 30, 2018 are as follows:

Year ending June 30,	
2019	\$ 100,380
2020	100,380
2021	100,380
2022	8,365
	\$ 309,505

In connection with the purchase of a property in Straban Township (the Township), the School entered into a letter of credit (LC) agreement in favor of the Township for \$129,096. The LC expires July 21, 2018.

Note 9 Long-Term Debt

Mortgage for \$973,392 maturing in December 2033; interest only at 5.35% payable through August 2017 followed by (48) monthly payments of \$7,660 including interest at 5.35%; followed by (192) payments of \$7,659 including interest at the prime rate plus 1.85%. \$ 936,789

Term loan for \$83,106 maturing in February 2027; interest only at 5.65% payable through August 2017 followed by (12) monthly payments of \$932 including interest at 5.5%; followed by (72) payments of \$932 including interest at the prime rate plus 2.15%. 78,183

	1,014,972
Less: current maturities	49,893
Long-term debt	\$ 965,079

Maturities of long-term debt are as follows:

Gettysburg Montessori Charter School
Notes to Financial Statements
June 30, 2018

Note 9 Long-Term Debt (Continued)

Year ending June 30,	
2019	\$ 49,893
2020	52,652
2021	55,562
2022	58,634
2023	61,875
Thereafter	736,356
	\$ 1,014,972

Interest expense was \$56,660 for the year ended June 30, 2018.

Changes in long-term debt are as follows:

Balance, July 1, 2017	\$ 1,056,498
Borrowings	-
Repayments	41,526
Balance, June 30, 2018	\$ 1,014,972

Note 10 Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the School reported a liability of \$2,074,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. The School'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, 2017, the School's proportion was 0.0042% percent, which was a decrease of 0.0013% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the School recognized pension expense of \$248,434. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 48,000	\$ -
Net difference between projected and actual investment experience	22,000	13,000
Changes in proportions	382,000	708,000

Gettysburg Montessori Charter School
Notes to Financial Statements
June 30, 2018

Note 10 Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Changes in assumptions	56,000	-
Difference between employer contributions and proportionate share of total contributions	6,481	
Contributions subsequent to the measurement date	171,113	-
	\$ 685,594	\$ 721,000

The \$171,113 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ending June 30:	
	2019	\$ 71,367
	2020	5,961
	2021	(158,731)
	2022	(125,223)

Note 11 Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability as June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment Return - 7.25%, includes inflation at 2.75%.
- Salary growth - effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- 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 MP-2015 Mortality Improvement Scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Gettysburg Montessori Charter School
Notes to Financial Statements
June 30, 2018

Note 11 Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLP's	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	1.1%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

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 School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

Gettysburg Montessori Charter School
Notes to Financial Statements
June 30, 2018

Note 11 Actuarial Assumptions (Continued)

	1% Decrease 6.25%	Current Discount 7.25	1% Increase 8.25%
School's proportionate share of the net pension liability	\$ 2,553,000	\$ 2,074,000	\$ 1,670,000

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.

Payables to the Plan as June 30, 2018 for contractually required contributions are as follows:

-	Employee deferral contributions	\$ 4,606
-	Employer contributions	\$ 45,130

Note 12 OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the School reported a liability of \$86,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. The School'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. At June 30, 2018, the School's proportion was .0042 percent, which was a decrease of .0013 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the School recognized OPEB expense of \$936. At June 30, 2018, the School 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
Changes in proportion	\$ -	\$ 24,000
Changes of assumptions	-	4,000
Difference between employer contributions and proportionate share of total contributions	-	319
Contributions subsequent to the measurement date	4,475	-
	\$ 4,475	\$ 28,319

Gettysburg Montessori Charter School
Notes to Financial Statements
June 30, 2018

Note 12 OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The \$4,475 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. 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:			
	2019	\$		(5,064)
	2020			(5,064)
	2021			(5,064)
	2022			(5,064)
	2023			(5,064)
	Thereafter			(3,000)

Note 13 Actuarial Assumptions

The Total OPEB Liability as of June 30, 2017, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 3.13% - 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 or seniority increases.
- Premium Assistance reimbursement is 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 MP-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, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.

Gettysburg Montessori Charter School
Notes to Financial Statements
June 30, 2018

Note 13 Actuarial Assumptions (Continued)

- 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 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.)

Investments consist 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.

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	76.4%	0.6%
Fixed income	23.6%	1.5%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometrical real rates of return for each major asset class as of June 30, 2017.

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, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

Gettysburg Montessori Charter School
Notes to Financial Statements
June 30, 2018

Note 13 Actuarial Assumptions (Continued)

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, 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, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2017, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if health care cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	Dollar Amounts in Thousands		
	1% Decrease	Current Trend Rate	1% Increase
System net OPEB liability	\$ 86,000	\$ 86,000	\$ 86,000

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

	1% Decrease	Current Discount	1% Increase
	2.13%	3.13%	4.13%
School's proportionate share of the net OPEB liability	\$ 97,000	\$ 86,000	\$ 76,000

OPEB plan fiduciary net position

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

Gettysburg Montessori Charter School
Notes to Financial Statements
June 30, 2018

Note 14 Retirement Plan

In addition to the PSERS plan, the School also provides an alternative plan for full-time employees that do not participate in PSERS through the Gettysburg Montessori Charter School 403(b) Plan. Non-PSERS employees participate from the date of employment, with a mandatory minimum contribution of 5%. The School will match the employees' contributions dollar for dollar up to 5% of their compensation. The School's contributions to the plan for the year ended June 30, 2018 totaled \$24,980.

Note 15 Grants

The School participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 16 Risk Management

The School 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 School carries commercial insurance for such risks.

Note 17 Change in Accounting Principle

During the current year the School implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement changes the accounting for OPEB by recording the School's portion of net OPEB liability and deferred inflows and outflows related to OPEB. As a result of implementing this statement, a prior period adjustment is required for the beginning net OPEB liability and deferred outflows for the School's contributions made during fiscal year 2017.

As of July 1, 2017, net position has been restated as follows:

Net position, beginning of year, as previously stated	\$ (1,229,054)
Net OPEB liability	(118,000)
Deferred outflows - School's contributions made during fiscal year 2017	4,681
<hr/>	
Net position as restated, July 1, 2017	\$ (1,342,373)

Required Supplementary Information

**Gettysburg Montessori Charter School
Governmental Fund Budgetary Comparison Schedule
Year Ended June 30, 2018**

	Original/ Final Budget	Actual Revenues/ Expenditures	Variance With Budget
Revenues			
Local educational agency assistance	\$ 2,464,118	\$ 2,610,796	\$ 146,678
Other sources	24,331	37,715	13,384
State sources	8,664	3,456	(5,208)
Federal sources	25,590	72,562	46,972
Total revenues	<u>2,522,703</u>	<u>2,724,529</u>	<u>201,826</u>
Expenditures			
Instruction	1,433,935	1,525,291	(91,356)
Support services	905,968	730,108	175,860
Noninstructional services	32,447	33,940	(1,493)
Capital outlay	36,257	101,342	(65,085)
Debt service	397	98,185	(97,788)
Total expenditures	<u>2,409,004</u>	<u>2,488,866</u>	<u>(79,862)</u>
Expenditures in Excess of Revenues	113,699	235,663	121,964
Other Financing Sources (Uses)			
Interfund transfers in (out)	(46,959)	(20,800)	(26,159)
Net Change in Fund Balance	66,740	214,863	148,123
Fund Balance, Beginning	<u>248,188</u>	<u>248,188</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 314,928</u>	<u>\$ 463,051</u>	<u>\$ 148,123</u>

See accompanying notes to financial statements.

Gettysburg Montessori Charter School
Schedule of the School's Proportionate Share of the Net
Pension Liability and Contributions

Last 10 Fiscal Years*

Schedule of the School's Proportionate Share of the Net Pension Liability

Fiscal Year	PSERS Net Pension Liability		School's Covered Employee Payroll	School's Proportionate Share of NPL as a % of Covered- Employee Payroll	Plan Fiduciary Net Position as a % of Total Pension Liability
	School's Proportion	School's Proportionate Share			
6/30/2013	0.0035%	\$ 1,432,000	\$ 442,766	323.42%	54.49%
6/30/2014	0.0049%	\$ 1,939,000	\$ 627,869	308.82%	57.24%
6/30/2015	0.0064%	\$ 2,773,000	\$ 823,187	336.86%	54.36%
6/30/2016	0.0055%	\$ 2,726,000	\$ 709,926	383.98%	50.14%
6/30/2017	0.0042%	\$ 2,074,000	\$ 563,934	367.77%	51.84%

Schedule of School Contributions

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions
					as a % of Total Covered- Employee Payroll
6/30/2015	\$ 162,813	\$ 162,813	\$ -	\$ 823,187	19.78%
6/30/2016	\$ 174,115	\$ 174,115	\$ -	\$ 709,926	24.53%
6/30/2017	\$ 154,736	\$ 154,736	\$ -	\$ 563,934	27.44%
6/30/2018	\$ 171,113	\$ 171,113	\$ -	\$ 539,110	31.74%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

**Gettysburg Montessori Charter School
Schedule of the School's Proportionate Share of the Net
OPEB Liability and Contributions**

Last 10 Fiscal Years*

Schedule of the School's Proportionate Share of the Net OPEB Liability

Fiscal Year	PSERS Net OPEB Liability		School's Covered Employee Payroll	School's Proportionate Share of OPEB as a % of Covered- Employee Payroll	Plan Fiduciary Net Position as a % of Total OPEB Liability
	School's Proportion	School's Proportionate Share			
6/30/2016	0.0055%	\$ 118,000	\$ 709,926	16.62%	5.47%
6/30/2017	0.0042%	\$ 86,000	\$ 563,934	15.25%	5.73%

Schedule of School Contributions

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions
					as a % of Total Covered- Employee Payroll
6/30/2018	\$ 4,475	\$ 4,475	\$ -	\$ 539,110	0.83%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

See accompanying notes to financial statements.

**Gettysburg Montessori Charter School
Notes to Required Supplementary Information
Year Ended June 30, 2018**

Note 1 Changes in Benefit Terms

None.

Note 2 Changes in Assumptions

None.

Other Reports Required By Government Auditing Standards

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees
Gettysburg Montessori Charter School
Gettysburg, Pennsylvania

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, and the major fund of Gettysburg Montessori Charter School (the School) as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon, dated December 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

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 of the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in cursive script that reads "SD Associates P.C."

Certified Public Accountants
Elkins Park, Pennsylvania

December 6, 2018