Audited Financial Statements

June 30, 2021

GETTYSBURG MONTESSORI CHARTER SCHOOL

Inspiring a Love of Learning

CONTENTS

Guidance You Can Count On.

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Gettysburg Montessori Charter School
Gettysburg, Pennsylvania

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Gettysburg Montessori Charter School, as of and for the year ended June 30, 2021, 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 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, and each major fund of the Gettysburg Montessori Charter School, as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, budgetary comparison schedule – general fund on pages 42, and schedules related to pension and OPEB liabilities on pages 43 through 46 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 response 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 November 29, 2021 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.

Smith Elliott Kearns & Company LLC

Hanover, Pennsylvania
November 29, 2021

The Management's Discussion and Analysis of the Gettysburg Montessori Charter School ("the School") financial performance provides an overall review of the School's financial position as of June 30, 2021 and of its financial activities during the fiscal year ended June 30, 2021. This analysis includes a review of the School's performance as a whole. Readers should review the Financial Statements and the Notes to Financial Statements to enhance their understanding of the School's financial performance.

FINANCIAL HIGHLIGHTS

Financial highlights for the **2020 -** 2021 fiscal year were:

- Total revenues decreased by approximately $ 271,000 due mainly to a decrease in the average student population.
- At the close of the current fiscal year, the School reports an ending general fund balance of negative $ 84,769. This balance was the result of a $ 1,562,153 deficit for the year ended June 30, 2021.
- The School's cash balance at June 30, 2021 was $ 1,422,229, representing an increase of $ 78,200 from **June 30, 2020**.

OVERVIEW OF THE FINANCIAL STATEMENTS

The School's annual report consists of basic financial statements and notes to financial statements. These statements are presented in a manner that provides the reader with the information to understand the financial position and activities of the School as a whole.

The statement of net position presents the School's assets and deferred outflows of resources, less liabilities and deferred inflows of resources, with the difference reported as net position. The trend over time in the net position balance provides an indication of the financial condition of the School.

The statement of activities provides information showing how the School's net position changed during the fiscal year. Revenues and expenses are included in this statement for certain items that may result in cash flows in future periods.

Statement of Net Position and Statement of Activities

The Statement of Net Position and the Statement of Activities present an aggregate view of the School from a financial perspective. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to private-sector companies.

These statements report the School's net position and changes in those assets. The change in net position is an indicator of whether the School's financial position, as a whole, has improved or diminished. The causes of such changes may be financial or non-financial factors, including changes in the current laws, condition of facilities, required educational programs, and other factors.

The Statement of Net Position and the Statement of Activities divide the School into governmental activities and into business-type activities. Most of the School's activities, including instruction, support services, and noninstructional services are reported as governmental activities. Business-type activities are services that the School provides on a charge for goods or services basis. The business-type activity for the School is the Food Service Program.

Fund Financial Statements

The School's fund financial statements provide detailed information about the School's funds.

Governmental Funds

Most of the School's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. This information is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

The School's Proprietary Fund is the Enterprise Fund. It is used to account for the School's 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 School charges customers for services it provides, these services are generally reported in enterprise funds. The Food Service Fund is the School's enterprise fund and represents the entire amount reported as business-type activities in the government-wide statements. The fund financial statements provide detailed and additional information about the Enterprise Fund, such as cash flows.

Notes to the Financial Statements

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

Required 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.

Table 1 (Statement of Net Position) provides a comparative summary of the School's net position as of June 30, 2021 and **June 30, 2020**:

TABLE 1
STATEMENTS OF NET POSITION
(in thousands)

	Governmental Activities		Business-type Activity		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	$ 1,678	$ 1,693	$ 15	$ -	$ 1,693	$ 1,693
Noncurrent assets	5,412	1,950	-	-	5,412	1,950
Total assets	7,090	3,643	15	-	7,105	3,643
Deferred outflows of resources	204	225	-	-	204	225
Current liabilities	1,819	297	5	4	1,824	301
Noncurrent liabilities	4,462	2,705	-	-	4,462	2,705
Total liabilities	6,281	3,002	5	4	6,286	3,006
Deferred inflows of resources	388	716	-	-	388	716
Net assets						
Net investment in capital assets	1,558	958	-	-	1,558	958
Unrestricted (deficit)	(933)	(808)	10	(4)	(923)	(812)
Total net position (deficit)	$ 625	$ 150	$ 10	$ (4)	$ 635	$ 146

The School's net position at June 30, 2021 was $ 634,959, and the net position of governmental activities was $ 624,700. The net surplus reflects the impact of the net pension liability of $ 1,624,888 and other net post-employment benefits of $ 71,303 as of June 30, 2021. These liabilities represent the School's proportion of the net unfunded liabilities of the Pennsylvania School Employees' Retirement System. Additional information is provided in Note 8 and 9 to the financial statements.

The largest component of assets is capital assets of $ 5,403,310, net of accumulated depreciation, at June 30, 2021. The School's Statement of Net Position included $ 2,579,874 of notes payable at June 30, 2021 that support capital assets. Changes in net capital assets and outstanding debt have a general correlation over time.

Table 2 (Statement of Activities) shows comparative changes in net position as a result of financial revenues and expenses for the fiscal years ended June 30, 2021 and **June 30, 2020**:

TABLE 2
STATEMENTS OF ACTIVITIES
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Revenues						
Program revenues						
Charges for services	$ 6	$ 18	$ -	$ -	$ 6	$ 18
Operating grants and contributions	353	119	74	59	427	178
General revenues						
Receipts from other local education agencies	2,909	3,375	-	-	2,909	3,375
Other	(36)	6	-	-	(36)	6
Total revenues	3,232	3,518	74	59	3,306	3,577
Expenses						
Instruction	1,507	1,627	-	-	1,507	1,627
Support services	1,144	937	-	-	1,144	937
Noninstructional services	4	18	-	-	4	18
Interest on long-term debt	55	54	-	-	55	54
Food services	-	-	108	88	108	88
Other	48	19	(48)	(19)	-	-
Total expenses	2,758	2,655	60	69	2,818	2,724
Increase (decrease) in net position	$ 474	$ 863	$ 14	$ (10)	$ 488	$ 853

Total revenues for the year ended June 30, 2021 decreased by approximately $ 271,000, or 7.6% percent, from the year ended **June 30, 2020**. The School recognized decreased revenues from local sources and increased revenues from subsidy sources. The largest portion of the decrease was attributable to decreasing enrollment to 207 students compared with 236 students at **June 30, 2020**.

Total expenses increased by approximately $ 94,000, or 3.5% percent, for the year ended June 30, 2021 compared to the year ended **June 30, 2020**. There were increases in personnel, nonemployee professionals, professional development, and books and supplies expense, resulting in an increase of general fund expenditures, but they were offset by decreases in the PSERS and related liability balances, resulting in a net increase in expenses.

The School's Funds

Information shown in the School's fund statements is accounted for using the modified accrual basis of accounting. The School's general fund recognized total revenues of $ 3,273,552 and other financing uses of a positive $ 2,515,237 due to issuance of long-term debt netted with transfers to other funds during the fiscal year ended June 30, 2021. The unassigned fund balance in the general fund at June 30, 2021 was $ (378,083), or (10)% of budgeted expenditures for fiscal year 2021 – 2022.

The School expects that salaries and benefits will increase by approximately $ 351,261, or 19.46%, in the 2021 - 2022 fiscal year. Staffing needs are reviewed prior to the adoption of each school year budget in order to determine the appropriate staffing levels for the upcoming fiscal year. Employee benefit costs are expected to be driven by a decrease in the cost of employer contributions to the employee retirement plan. These costs are planned to decrease by 22% for the 2021 - 2022 fiscal year. The increase in the rate owed by employers into the retirement system has shown significant double digit increases for the past several years and is now slowing down; however, this cost will remain a significant component of expenditures for several years into the future. The School is also likely to see an increase in employee health benefits costs in 2021 - 2022 as it transitions to an Affordable Care Act (ACA)-eligible plan in order to comply with federal mandate.

General Fund Budget

The School prepares its annual budget in accordance with Pennsylvania law and is based on accounting for certain transactions on the modified cash basis for receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the fiscal year, the Board of Trustees authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the School. A schedule is included as part of this financial report that shows the School's original and final budget amounts compared with amounts actually paid and received during the year.

The General Fund Budget revenues varied from the final budget by 13%. Expenditures varied by approximately 100%. Expenditures exceeded budget due to significant progress made on the building project during the fiscal year.

Capital Assets

At June 30, 2021, the School's governmental funds had $ 5,403,310 invested in land, buildings, equipment, and construction-in-progress, net of accumulated depreciation. Table 3 shows balances at June 30, 2021 and at **June 30, 2020**.

TABLE 3
CAPITAL ASSETS - NET OF DEPRECIATION
(in thousands)

	June 30, 2021	June 30, 2020
Land	$ 60	$ 60
Buildings and improvements	1,452	1,493
Furniture and equipment	287	117
Construction-in-progress	3,604	271
Total Capital Assets	$ 5,403	$ 1,941

The most significant addition to capital assets during the year ended June 30, 2021 was $ 3,333,450 in construction-in-progress related to the building project. No significant deletions to capital assets were made during the year ended June 30, 2021. The School evaluates the condition of its facilities annually and makes capital plan expenditures accordingly. Additional information on the School's capital assets can be found in the notes to financial statements.

Outstanding Debt

At June 30, 2021, the School had $ 2,579,874 of notes outstanding, $ 71,303 in net OPEB liability and $ 1,624,888 of net pension liability. Note 9 of the financial statements details the accounting for the retirement plan that results in the pension liability. Table 4 shows principal balances of outstanding notes at June 30, 2021 compared to **June 30, 2020**. Outstanding notes have scheduled maturities through 2030. Principal and interest payments are scheduled to provide consistent debt service cost from fiscal year to fiscal year.

TABLE 4
OUTSTANDING DEBT

	June 30, 2021	June 30, 2020
Direct Borrowing		
Members 1st Construction Loan	$ 2,579,874	$ -
Centric Bank Mortgage	-	850,326
Centric Bank Mortgage	-	64,025
Total Outstanding Debt	$ 2,579,874	$ 914,351

Other Items Affecting the Financial Strength of the School

The School considers its financial condition to be sound and believes its local community support to be very positive. Our enrollment continues to grow, and we plan to reach full capacity of 285 students by the 2022/2023 school year.

Like all educational institutions, the School has been directly impacted by the COVID-19 virus. Between March and June of 2020, the School operated virtually and realized some savings on expenses related to its physical operation (substitute teachers, student support contractors, transportation, building maintenance, etc.) that were generally offset by increased spending on pandemic-related activities (laptops for students, extra cleaning supplies, etc.). This trend carried through the first half of the 2020-21 school year as the School operated in hybrid fashion (some students learning in school, some at home). Despite a decrease in enrollment (from 237 to 203) in Fall 2020, the School continued to experience strong financial health due to its strong cash reserves, the aforementioned cost savings and several rounds of state and federal COVID-19 relief funding (PCCD Health & Safety Grant, Federal CARES I & II). While average daily enrollment did decline from the previous year (2019-2020), by year-end (June 30, 2021) the School's enrollment (245) exceeded the prior year's count (237). The School and its Business Manager engaged in budget planning for 2021-2022 based on an assumed return to fully in-person learning (at increased enrollment of 255) in Fall 2021 due to the widespread availability of a newly-arrived Coronavirus vaccine.

The School is also in the final stages of major construction project that will allow for expansion to 285 students by the Fall 2022. This project has added permanent K-6 classrooms to replace those currently housed in mobile units, along with a library and outdoor courtyard/play area. The school's prior debt service (held by Centric Bank) was replaced by a new construction loan (entered into with Members 1st Credit Union in August 2020), with construction substantially completed in August 2021. Per the terms of the School's loan, it is responsible for the first 20% (roughly $ 841,357) of the total construction costs. The Board committed a portion of its Fund Balance at the end of FY2020 and budgeted for project expenses in FY2021 to cover its obligation. The School's leadership and Board are confident that the construction of this new space, along with a return to pre-pandemic conditions, will result in strong enrollment growth in both FY2022 and FY2023.

There is no known significant litigation to the School that may have a future financial effect upon its financial position.

Contacting the School 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, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	$ 1,422,229	$ -	$ 1,422,229
Receivables			
Intergovernmental	131,799	-	131,799
Federal subsidies	93,413	15,153	108,566
Prepaid expenses	30,695	-	30,695
Total current assets	1,678,136	15,153	1,693,289
Noncurrent Assets			
Security deposit	8,365	-	8,365
Capital assets not being depreciated			
Land	60,000	-	60,000
Construction in progress	3,604,498	-	3,604,498
Capital assets net of accumulated depreciation			
Buildings and improvements	1,452,016	-	1,452,016
Furniture and equipment	286,796	-	286,796
Total noncurrent assets	5,411,675	-	5,411,675
Total Assets	7,089,811	15,153	7,104,964
Deferred Outflow of Resources			
Deferred outflows related to asset retirement obligation	3,009	-	3,009
Deferred outflows related to pension liability	193,805	-	193,805
Deferred outflows related to OPEB liability	6,873	-	6,873
Total deferred outflows of resources	203,687	-	203,687
Total Assets and Deferred Outflows of Resources	$ 7,293,498	$ 15,153	$ 7,308,651
LIABILITIES			
Current liabilities			
Accounts payable	$ 257,182	$ -	$ 257,182
Unearned revenue	249,722	4,894	254,616
Accrued salaries and benefits	158,197	-	158,197
Accrued expenses	1,106,169	-	1,106,169
Portion due or payable within one year			
Capital lease	16,641	-	16,641
Notes payable	30,707	-	30,707
Total current liabilities	1,818,618	4,894	1,823,512
Noncurrent liabilities			
Portion due or payable after one year			
Notes payable	2,549,167	-	2,549,167
Asset retirement obligation	180,555	-	180,555
Capital lease	36,453	-	36,453
Net OPEB liability	71,303	-	71,303
Net pension liability	1,624,888	-	1,624,888
Total noncurrent liabilities	4,462,366	-	4,462,366
Total Liabilities	6,280,984	4,894	6,285,878
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	360,456	-	360,456
Deferred inflows related to OPEB liability	27,358	-	27,358
Total deferred inflows of resources	387,814	-	387,814
NET POSITION			
Net investment in capital assets	1,557,754	-	1,557,754
Unrestricted	(933,054)	10,259	(922,795)
Total Net Position	624,700	10,259	634,959
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 7,293,498	$ 15,153	$ 7,308,651

GETTYSBURG MONTESSORI CHARTER SCHOOL
Statement of Activities
Year Ended June 30, 2021

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Governmental activities						
Instruction	$ 1,507,313	$ -	$ 348,982	$ (1,158,331)	$ -	$ (1,158,331)
Support services	1,160,714	-	4,359	(1,156,355)	-	(1,156,355)
Noninstructional services	3,848	6,038	-	2,190	-	2,190
Interest on long-term debt	54,760	-	-	(54,760)	-	(54,760)
Total governmental activities	2,726,635	6,038	353,341	(2,367,256)	-	(2,367,256)
Business-type activities						
Food services	107,632	471	73,674	-	(33,487)	(33,487)
Total primary government	$ 2,834,267	$ 6,509	$ 427,015	(2,367,256)	(33,487)	(2,400,743)
General revenues and transfers						
Receipts from other local education agencies				2,908,790	-	2,908,790
Investment earnings				2,463	-	2,463
Miscellaneous income				2,920	-	2,920
Loss on disposal of capital assets				(24,533)	-	(24,533)
Transfers in (out)				(48,052)	48,052	-
Total general revenues and transfers				2,841,588	48,052	2,889,640
Change in net position				474,332	14,565	488,897
Net position - beginning				150,368	(4,306)	146,062
Net position - ending				$ 624,700	$ 10,259	$ 634,959

GETTYSBURG MONTESSORI CHARTER SCHOOL
Balance Sheet – Governmental Fund
June 30, 2021

		General Fund
ASSETS		
Cash and cash equivalents	$	1,422,229
Intergovernmental receivables		131,799
Federal receivables		93,413
Security deposits		8,365
Prepaid expenditures		30,695
Total assets	$	1,686,501
LIABILITIES		
Accounts payable	$	257,182
Accrued salaries and benefits		158,197
Accrued expenses		1,106,169
Unearned revenue		249,722
Total liabilities		1,771,270
FUND BALANCES		
Nonspendable		39,060
Committed		254,254
Unassigned		(378,083)
Total fund balances		(84,769)
Total liabilities and fund balances	$	1,686,501

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

June 30, 2021

Total fund balances - governmental funds		$ (84,769)
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund balance sheet, but are reported in the governmental activities of the Statement of Net Position.		
Cost of assets	5,646,403	
Accumulated depreciation	(243,093)	5,403,310
Long-term liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and associated deferred inflows and deferred outflows consist of:		
Bonds and notes payable, net of discount and premium	(2,579,874)	
Asset retirement obligation	(180,555)	
Deferred outflows related to asset retirement obligation	3,009	
Capital lease liability	(53,094)	
Net pension liability	(1,624,888)	
Deferred outflows related to net pension liability	193,805	
Deferred inflows related to net pension liability	(360,456)	
Net OPEB liability	(71,303)	
Deferred outflows related to net OPEB liability	6,873	
Deferred inflows related to net OPEB liability	(27,358)	(4,693,841)
Net position of governmental activities in the Statement of Net Position		$ 624,700

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund
Year Ended June 30, 2021

	General Fund
REVENUES	
Local sources	$ 2,946,771
State sources	7,815
Federal sources	306,544
Other revenues	12,422
Total revenues	3,273,552
EXPENDITURES	
Instruction	1,741,771
Support services	1,286,775
Noninstructional services	3,726
Facilities acquisition, construction and improvements	3,333,450
Debt service	
Principal	930,460
Interest	54,760
Total expenditures	7,350,942
OTHER FINANCING SOURCES (USES)	
Issuance of long-term debt	2,579,874
Loss on refinancing	(16,585)
Interfund transfers in (out)	(48,052)
Total other financing sources (uses)	2,515,237
Net change in fund balances	(1,562,153)
Fund balances - beginning	1,477,384
Fund balances - ending	$ (84,769)

GETTYSBURG MONTESSORI CHARTER SCHOOL
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Fund to the Statement of Activities
Year Ended June 30, 2021

Net change in fund balances - total governmental funds		$ (1,562,153)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Loss on disposal of equipment	(24,533)	
Depreciation expense	(86,451)	
Capital outlays	3,572,879	
		3,461,895
The issuance of long term obligations (loans) provides current financial resources to governmental funds, while the repayment of principal of long term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Repayment of loan principal is an expenditure and other financing use in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.		
Repayment of long term obligations - principal		930,460
Proceeds from construction loan		(2,579,874)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid of:		
Net pension liability and related deferred outflows and inflows		254,081
Net OPEB liability and related deferred outflows and inflows		6,034
Asset retirement obligation and related deferred outflow		(36,111)
Change in net position of governmental activities		$ 474,332

GETTYSBURG MONTESSORI CHARTER SCHOOL
Statement of Net Position – Proprietary Fund
June 30, 2021

	Food Service
ASSETS	
Current Assets	
Federal receivables	$ 15,153
Total assets	$ 15,153
LIABILITIES	
Current Liabilities	
Unearned revenues	$ 4,894
Total current liabilities	4,894
NET POSITION	
Unrestricted	10,259
Total net position	10,259
Total liabilities and net position	$ 15,153

GETTYSBURG MONTESSORI CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
Year Ended June 30, 2021

	Food Service
OPERATING REVENUE	
Food service revenues	$ 471
Total operating revenues	471
OPERATING EXPENSES	
Food and milk purchases	89,603
Salaries	15,717
Employee benefits	2,312
Total operating expenses	107,632
Operating (loss)	(107,161)
NONOPERATING REVENUES	
Federal subsidies	71,370
State subsidies	2,304
Total nonoperating revenues	73,674
TRANSFERS	
Interfund transfers in	48,052
Net change in net position	14,565
Total net position - beginning	(4,306)
Total net position - ending	$ 10,259

Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2021

	Food Service
Cash flows from operating activities	
Cash received from food sales	$ 1,059
Cash payments to suppliers for goods	(89,603)
Cash payments to and on behalf of employees	(18,029)
Net cash (used) by operating activities	(106,573)
Cash flows from noncapital financing activities	
Federal subsidies	56,217
State subsidies	2,304
Interfund transfers in (out)	48,052
Net cash provided by noncapital financing activities	106,573
Net increase in cash and cash equivalents	-
Cash and cash equivalents - beginning	-
Cash and cash equivalents - ending	$ -
Reconciliation of loss from operations to net cash (used) by operating activities	
Operating loss	$ (107,161)
Adjustments to reconcile operating loss to net cash (used) by operating activities	
Increase (decrease) in	
Unearned revenues	588
Total adjustments	588
Net cash (used) by operating activities	$ (106,573)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity

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, 2025. The School receives funding from various local School Districts on a monthly basis based upon the enrollment from the corresponding School District. The rate of funding per student is determined on an annual basis.

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (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.

Reporting Entity

The financial statements of the School include all funds, functions, and activities to which the Board of Trustees has oversight responsibility. The financial statements presented do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from Gettysburg Montessori Charter School.

Governmental Accounting Standards Board (GASB) statements define the criteria used to determine the composition of the reporting entity. These standards require the reporting entity to include (1) the primary government, (2) organizations for which the primary government is financially accountable, (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (4) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the above criteria, the School is not included in any other governmental reporting entity and there are no component units of the School.

Fund Accounting

The School uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School are grouped into two categories governmental and proprietary.

1. **Governmental Fund**

   The Governmental Fund is the fund through which most governmental functions of the School are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

The School reports the following major governmental fund:

a. ***General Fund***

The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from receipts from other local education agencies, and state and federal subsidies. Many of the more important activities of the School, including instruction, support services, and certain noninstructional services are accounted for in this fund. This is a budgeted fund, and any unassigned fund balances are considered as resources available for use.

2. **Proprietary Fund**

The Proprietary Fund is used to account for the School's ongoing activities which are similar to those often found in the private sector. The focus of the proprietary fund is on the determination of net earnings and capital maintenance. The following fund is utilized:

a. ***Food Service Fund – Enterprise Fund – Major Fund***

This fund accounts for all revenues and expenses pertaining to cafeteria operations. It is the intent of the governing body that the cost of providing food, goods or services to the students on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans.

Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the School as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School and for each function or program of the School'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 School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund Financial Statements – Fund financial statements report detailed information about the School. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds (if applicable) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus. There were no fiduciary funds at June 30, 2021.

Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The 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 both 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 government considers revenues to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific School expenditures is recognized when the related expenditures are incurred and the related revenue is available, which is generally 60 days; accordingly, when such funds are received, they are recorded as a liability until earned. If time eligibility requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing food services, including charges for meals and the costs of food, salaries and benefits, depreciation, and other expenses, Federal and State subsidies are considered non-operating revenues as no exchange transaction occurs.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all demand deposits, petty cash, savings, and money market accounts.

Statement of Cash Flows

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.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund financial statements. There were no business-type activity capital assets at June 30, 2021.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at acquisition value as of the date received. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	Governmental Activities Estimated Lives
Buildings and improvements	15 - 40 years
Furniture and equipment	5 - 7 years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School has several items that qualify for reporting in this category, including the deferred charge on the asset retirement obligation and various amounts related to pension and OPEB liabilities. These amounts will be amortized in future periods.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School's deferred inflows of resources consist of various amounts related to pension and OPEB liabilities (on the statement of net position).

Budgets and Budgetary Accounting

An operating budget is adopted 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 adopted.

Interfund Activity

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and are shown separately in proprietary funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and the disclosure of those items, if any, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements.

Other Postemployment Benefits Other Than Pensions

GASB establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The School's other postemployment benefits are accounted for in accordance with these standards.

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 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.

Retirement Plans

The School contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The School accounts for the plan under the provisions of GASB Standards, which establish standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures.

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 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 refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The School also provides an alternative defined contribution pension 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 matches the employee's contribution dollar for dollar up to 5% of their compensation. The School's contributions to the plan for the year ended June 30, 2021, totaled $ 45,365.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position – Government-Wide/Proprietary Funds

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets: This component consists of 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 capital assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvement of assets or related debt also should be included in this component of net position.

Restricted Net Position: This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include 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 provision or enabling legislation.

Unrestricted Net Position: This component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance – Governmental Funds

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

Nonspendable: This 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. This classification includes items such as prepaid amounts, inventories, and long-term amount of loans and notes receivable. This also includes the corpus (or principal) of permanent funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Funds

Restricted: This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payment and includes a legally enforceable requirement on the use of these funds.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the Board of Trustees. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

Assigned: This classification includes spendable amounts that are reported in governmental funds other than in the General Fund, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the Board of Trustees, or a subordinate high-level body, such as the finance committee, or principal/CEO that is authorized to assign amounts to be used for specific purposes. The Board of Trustees has the authority to make assignments of fund balance. Thus, these assignments would be made or changed by formal action of the Board. The assignment of fund balance cannot result in a negative unassigned fund balance.

Unassigned: This classification represents the portion of a spendable fund balance that has not been categorized as restricted, committed, or assigned. The general fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and assigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

Policy Regarding Order of Spending

When fund balance resources are available for a specific purpose in multiple classifications, the School's policy is to use restricted resources first and then apply unrestricted resources in the following order: committed, assigned and unassigned. This order of spending may be altered per board approval.

Income Tax Status

The Internal Revenue Service has determined the School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Consequently, the School will not incur any liability for federal income tax with the exception of any liability arising from unrelated business income. The School's federal and state tax returns are subject to examination by the Internal Revenue Service and state tax authorities, generally for a period of three years after the returns are filed.

NOTE 2 CASH AND INVESTMENTS

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. As of June 30, 2021, the School has a bank balance of $ 1,422,229. Of this balance, $ 250,000 is covered by NCUA insurance. The remaining balance of $ 1,172,229 was exposed to custodial credit risk because the collateral securities held by the bank's agents are not in the School's name.

Pennsylvania Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets. Based on the standards outlined in Act 72, the various banks utilized by the School have pledged collateral on a pooled basis on behalf of the School and all other governmental depositors in the respective financial institutions.

NOTE 3 INTERFUND TRANSFERS

Interfund transfers were as follows for the year ended June 30, 2021:

Funds	Operating Transfers In	Operating Transfers Out
General	$ -	$ 48,052
Food Service	48,052	-
	$ 48,052	$ 48,052

For the year ended June 30, 2021, transfers from the General Fund to the Food Service Fund were made to satisfy cash deficiencies in ongoing foodservice operations.

NOTE 4 INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2021 consist of the following:

		General Fund	Food Service Fund
Local:	Other local education agencies	$ 131,799	$ -
Federal:	Various programs	93,413	15,153
		$ 225,212	$ 15,153

NOTE 5 CAPITAL ASSETS

Capital asset activity for the School consists of the following as of and for the year ended June 30, 2021:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Cost				
Assets not being depreciated				
Land	$ 60,000	$ -	$ -	$ 60,000
Construction in progress	271,048	3,333,450	-	3,604,498
Assets being depreciated				
Buildings and improvements	1,635,692	-	-	1,635,692
Furniture and equipment	189,002	239,429	82,218	346,213
Total cost	2,155,742	3,572,879	82,218	5,646,403
Less accumulated depreciation				
Buildings and improvements	(142,253)	(41,423)	-	(183,676)
Furniture and equipment	(72,074)	(45,028)	(57,685)	(59,417)
Total accumulated depreciation	(214,327)	(86,451)	(57,685)	(243,093)
Capital assets, net	$ 1,941,415	$ 3,486,428	$ 24,533	$ 5,403,310

Depreciation expense for the year ended June 30, 2021 was charged to governmental functions as follows:

Instruction	$ 38,221
Instructional student support	48,145
Student activities	85
	$ 86,451

The construction in progress consists of the following at June 30, 2021:

Legal costs	$ 36,727
Design and surveying for new building	307,816
Electrical construction	289,850
General construction / sitework	2,153,688
Mechanical construction	446,985
Owner's representative	77,588
Plumbing / fire protection	291,844
	$ 3,604,498

NOTE 5 CAPITAL ASSETS (CONTINUED)

As of June 30, 2021, the School had the following construction commitments:

	Total Contracts	Total Costs Incurred	Total Costs To Be Incurred
General construction / sitework	$ 2,309,188	$ 2,102,911	$ 206,277
Mechanical construction	471,000	446,985	24,015
Electrical construction	359,781	246,403	113,378
Plumbing / fire protection	292,288	283,015	9,273
	$ 3,432,257	$ 3,079,314	$ 352,943

NOTE 6 ACCRUED SALARIES AND BENEFITS

Accrued salaries and benefits consist of the following as of June 30, 2021:

	General Fund
Accrued salaries	$ 88,523
Accrued payroll taxes	6,772
Retirement	62,902
	$ 158,197

NOTE 7 LONG-TERM LIABILITIES

The changes in long-term liabilities during the year ended June 30, 2021 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities						
Direct Borrowing						
Construction Loan	$ -	$ 2,579,874	$ -	$ 2,579,874	$ 30,707	$ 2,549,167
(A) Mortgage	850,326	-	(850,326)	-	-	-
(B) Mortgage	64,025	-	(64,025)	-	-	-
Subtotal - direct borrowing	914,351	2,579,874	(914,351)	2,579,874	30,707	2,549,167
Capital lease	69,203	-	(16,109)	53,094	16,641	36,453
Total long-term liabilities	$ 983,554	$ 2,579,874	$ (930,460)	$ 2,632,968	$ 47,348	$ 2,585,620

Notes

The School uses the General Fund to pay for principal and interest payments related to the notes.

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Construction Loan

On August 17, 2020, the School closed on an open-end construction loan for $ 4,031,000 from Members 1st Credit Union. The proceeds were used to refund the Centric Bank Mortgages (A) and (B), pay costs to issue the note, and payments funding renovations, additions, and improvements to the School's property. The loan is secured by real property located at 888 Coleman Road, Straban Township, PA 17325. This loan has an initial scheduled maturity date of August 2030 and has the following payment terms: 5.0% interest only payments, payable through the construction loan period ending in December 2021. The permanent loan period begins in January 2022, with payments to include 4.5% interest and principal payments through August 2030.

Upon default of the Construction Loan, the Credit Union has the following remedies: (a) declare all or any part of any Obligations note payable on demand to be immediately due and payable without demand or notice of any kind; (b) terminate any obligation it may have to grant any additional loan, credit or other financial accommodation to Debtor; (c) peaceably retake possession of the Collateral with or without notice or process of law, and for that purpose may enter upon any premises where the Collateral is located and remove the same; (d) sell, lease or otherwise dispose of the Collateral in one or more parcels at public or private sale or sales upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk; (e) demand, collect and sue on any Collateral consisting of accounts or any other Collateral; (f) place an administrative hold on and set off against the Obligations any property held in a deposit or other account with Secured Party or otherwise owing by Secured Party in any capacity to Debtor.

Loans

(A) On July 21, 2016 the School received a mortgage for $ 1,120,000 from Centric Bank. This note has an initial scheduled maturity of July 2037 and has the following payment terms: 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 initially starting at $ 7,659 - including interest at the prime rate plus 1.85%. This mortgage was secured by real property located at 888 Coleman Road, Straban Township, PA 17325. Note: This mortgage was paid off on August 17, 2020 using proceeds from the Construction Loan.

(B) On July 21, 2016 the School received a mortgage for $ 85,000 from Centric Bank. This note matures in July of 2027 and has the following payment terms: 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 initially starting at $ 932 - including interest at the prime rate plus 2.15%. This mortgage was secured by real property located at 888 Coleman Road, Straban Township, PA 17325. Note: This mortgage was paid off on August 17, 2020 using proceeds from the Construction Loan.

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

The annual debt requirements for future general obligation notes, using the stated interest rate as of June 30, 2021 are as follows:

Fiscal Year Ended June 30	Direct Borrowing Construction Loan Principal	Direct Borrowing Construction Loan Interest
2022	$ 30,707	$ 128,612
2023	54,766	126,215
2024	57,568	123,413
2025	60,513	120,467
2026	63,609	117,371
2027-2031	2,312,711	452,074
	$ 2,579,874	$ 1,068,152

Asset Retirement Obligation

The School's modular classroom lease expires in July of 2021. Estimated removal costs totaling $ 180,550, based upon current quotes, are required to be incurred under the lease agreement at completion of the lease.

These removal costs meet the criteria of an Asset Retirement Obligation (ARO) under GASB 83, *Certain Asset Retirement Obligations*. GASB 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. GASB 83 requires that recognition occur when the liability is both incurred and reasonably estimable and that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement. The deferred outflows of resources should be reduced and recognized as outflows of resources (expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

Expected yearly outflows (expenses) are $ 36,111 for each year of the lease life. At June 30, 2021, the School has recorded an Asset Retirement Obligation of $ 180,555 and a corresponding Deferred Outflows Asset of $ 3,009.

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Operating Leases

The School leases modular classrooms in Gettysburg under an operating lease which expires in July of 2021. Lease expense was $ 100,380 for the year ending June 30, 2021. Total future payments are as follows at June 30, 2021:

2022	$	8,365
	$	8,365

The School is leasing one copier through a long-term operating lease with vendor. Lease expense for the year was $ 2,150. Total future payments are as follows at June 30, 2021:

2022	$	1,461
2023		1,461
2024		731
	$	3,653

Capital Leases

In August 2019, the School entered into a capital lease agreement to lease several copiers, which requires monthly payments of $ 1,510 for 60 months. The present value of minimum lease payments are discounted at 3.25%.

The equipment held under capital lease is as follows:

		2021
Copier	$	83,518
Less accumulated depreciation		(32,015)
Assets under captial lease, net	$	51,503

The aggregate amount of future payments required on capital leases at June 30, 2021, is as follows:

2022	$	18,120
2023		18,120
2024		18,120
2025		1,510
		55,870
Interest Component		(2,776)
Lease liability		53,094
Current		(16,641)
Long-term	$	36,453

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions and Benefits Provided

The Public School Employees' Retirement System (PSERS) provides a health insurance premium assistance program for all eligible employees, which is a governmental cost-sharing multiple employer defined benefit 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. 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. Healthcare cost trends were applied to retirees receiving less than $ 1,200 in annual premium assistance. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of $ 1,200. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Retirees of the System can participate in the premium assistance program if they 1) have 24 ½ or more years of service, 2) are a disability retiree, 3) have 15 or more years of service and retired after reaching superannuation age, or 4) participate in the PSERS' health option program.

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.

Contributions

The School's contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.84% 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 the unfunded accrued liability. Contributions to the OPEB plan from the employer were $ 2,873 for the year ended June 30, 2021.

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

At June 30, 2021, the School reported a liability of $ 71,303 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. 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, 2020 the School's proportion was 0.0033 percent, which was a decrease of 0.0008 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021 the School recognized OPEB expense (benefit) of $ (3,743).

At June 30,2021, 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
Difference between expected and actual experience	$ 1,000	$ -
Changes in assumptions	3,000	2,000
Net difference between projected and actual investment earnings	-	-
Changes in proportions - plan	-	25,000
Difference between employer contributions and proportionate share of total contributions	-	358
Benefit payments/contributions subsequent to the measurement date	2,873	-
	$ 6,873	$ 27,358

The amount of $ 2,873 is reported as a deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2021. related to the PSERS plan. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ended June 30	
2022	$ (6,087)
2023	(6,087)
2024	(7,087)
2025	(2,087)
2026	(2,008)
2027	(2)
Total	$ (23,358)

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

The total OPEB liability as of June 30, 2020, was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Cost Method	Entry age normal – level % of pay.
Investment Rate of Return	2.66% - S&P 20 year municipal bond rate.
Salary	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	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.
Percentage of Eligible Employees Electing Coverage in Plan	Eligible retirees will elect to participate pre-age 65 at 50% and eligible retirees will elect to participate post-age 65 at 70%.
Health Care Cost Trend Rate	Applied to retirees with less than $ 1,200 in premium assistance per year. Benefit is capped at $ 1,200 per year.

Investment Return

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	50.3%	(1.0%)
US Core Fixed Income	46.5%	(0.1%)
Non-US Developed Fixed	3.2%	(0.1%)
	100.0%	

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, 2020.

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Discount Rate

The discount rate used to measure the OPEB liability was 2.66% for PSERS. Under the PSERS 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's plan 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 2.66% which represents the S&P 20 year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the OPEB liability.

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

The following presents the net OPEB liability of the School, as well as what the School's liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
PSERS - School's proportionate share of the net OPEB liability	$ 81,000	$ 71,303	$ 63,000

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the School, as well as what the plans total OPEB liability would be if it were calculated using the healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease (Between 4% to 6.75%)	Healthcare Cost Trend Rate (Between 5% to 7.75%)	1% Increase (Between 6% to 8.75%)
PSERS - School's proportionate share of the net OPEB liability	$ 70,590	$ 71,303	$ 72,016

OPEB Plan Fiduciary Net Position

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

As of June 30, 2021, the School had $ 1,232 included in accrued wages liability, of which $ 780 is for the contractually required contribution for the second quarter of 2021 and $ 452 is related to the accrued payroll liability for wages incurred as of June 30, 2021.

NOTE 9 DEFINED BENEFIT PENSION PLAN

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 by 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 rights to benefits is vested after ten years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC).

> Class T-G and Class T-H members qualify for a defined benefit normal retirement benefit must work until age 67 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 97 with a minimum 35 years of service.
>
> Defined benefits for T-G and T-H are 1.25% or 1.00%, 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. A members' right to a defined benefit is vested in 10 years.

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 by the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefits the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

Contributions (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%.

Members who joined the System after June 30, 2019, are defaulted into Membership Class T-G rate of 8.25% (base rate) of the member’s qualifying compensation. Members may elect Class T-H which has a rate of 7.50%. Each of these classes are a hybrid of defined benefit and defined contribution plans. Members may also elect Class DC, which is a defined contribution plan with a rate of 7.50%.

Employer Contributions

The School’s contractually required contribution rate for the fiscal year ended June 30, 2021 was 33.45% of covered payroll for the defined benefit portion and .09% of covered payroll for the defined contribution portion, 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 from the School to the pension plan from the School were $ 118,048 for the year ended June 30, 2021.

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At June 30, 2021, the School reported a liability of $ 1,624,888 for its proportionate share of the net pension liability. The net pension liability was measured as of **June 30, 2020**, 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, 2019** to **June 30, 2020**. 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, 2020**, the School's proportion was 0.0033 percent.

For the year ended June 30, 2021, the School recognized pension expense in the Governmental Activities in the amount of $ (136,033).

At June 30, 2021, 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
Difference between expected and actual experience	$ 4,000	$ 39,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	71,000	-
Changes in proportionate share - plan	-	319,000
Difference between employer contributions and proportionate share of total contributions	757	2,456
Contributions subsequent to the measurement date	118,048	-
	$ 193,805	$ 360,456

The deferred outflows of resources related to pension of $ 118,048 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, 2021. 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	
2022	$ (234,390)
2023	(92,316)
2024	21,007
2025	21,000
Total	$ (284,699)

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability as of **June 30, 2020** was determined by rolling forward the System's total pension liability as of **June 30, 2019** to **June 30, 2020** using the fulling actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method – Entry Age Normal – level percent of pay
- Investment rate of 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 and seniority increases
- Mortality rates were based on 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-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, 2020 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015.

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 expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS 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	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	(1.0)%
Financing (LIBOR)	(14.0)%	(0.7)%
	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, 2020**.

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School's proportionate share of the net pension liability	$ 2,010,000	$ 1,624,888	$ 1,298,000

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 Pension Plan

As of June 30, 2021, the School had $ 47,839 included in accrued wages liability, of which $ 30,298 is for the contractually required contribution for the second quarter of 2021 and $ 17,541 is related to the accrued payroll liability for wages incurred as of June 30, 2021.

NOTE 10 RISK MANAGEMENT

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School has purchased commercial insurance to cover general liability, directors' and officers' liability, unemployment compensation and employees' health coverage. For these insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

NOTE 11 FUND BALANCE

The following table provides details of the fund balance classifications which are aggregated on the governmental fund balance sheet:

	General Fund
FUND BALANCES	
Nonspendable	
Security deposits	$ 8,365
Prepaid expenditures	30,695
Committed	
Building	254,254
Unassigned	(378,083)
Total fund balances	$ (84,769)

NOTE 12 COMMITMENTS, CONTINGENCIES, AND UNCERTAINTIES

The School participates in numerous state and federal 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 rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021 may be impaired. In the opinion of management, 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 combined financial statements for such contingencies.

The COVID-19 outbreak in the United States and around the world has caused business disruption through mandated and voluntary closings of many businesses throughout our community. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and extent of the economic impact. Therefore, it is reasonable to expect that some of the School's state revenues could be impacted.

At this point, the duration and extent of the COVID-19 impact on the value of the School's assets and future revenue sources cannot be reasonably estimated.

REQUIRED SUPPLEMENTARY INFORMATION

GETTYSBURG MONTESSORI CHARTER SCHOOL
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2021

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL (BUDGETARY/ GAAP BASIS)	WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Local Sources	$ 2,655,191	$ 2,655,191	$ 2,946,771	$ 291,580
State sources	7,061	7,061	7,815	754
Federal sources	201,393	201,393	306,544	105,151
Other revenues	39,581	39,581	12,422	(27,159)
Total revenues	2,903,226	2,903,226	3,273,552	370,326
EXPENDITURES				
Instruction	1,526,641	1,526,641	1,741,771	(215,130)
Support services	1,233,089	1,233,089	1,286,775	(53,686)
Noninstructional services	17,493	17,493	3,726	13,767
Facilities acquisition, construction and improvements	816,000	816,000	3,333,450	(2,517,450)
Debt service				
Principal	10,000	10,000	930,460	(920,460)
Interest	80,000	80,000	54,760	25,240
Total expenditures	3,683,223	3,683,223	7,350,942	(3,667,719)
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	-	2,579,874	(2,579,874)
Loss on refinancing	(48)	(48)	(16,585)	16,537
Interfund transfers	-	-	(48,052)	(48,052)
Total other financing sources and (uses)	(48)	(48)	2,515,237	(2,611,389)
Net change in fund balances	$ (780,045)	$ (780,045)	$ (1,562,153)	$ (782,108)

Schedule of School's Proportionate Share of Net Pension Liability - Public School Employee's Retirement System

For the Fiscal Year Ended June 30	School's Proportion of the Net Pension Liability (Asset)	School's Proportionate Share of the Net Pension Liability (Asset)	School's Covered Payroll - Measurement Period	School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.0033%	$ 1,624,888	$ 459,205	353.85%	54.32%
2020	0.0033%	1,543,826	449,328	343.59%	55.66%
2019	0.0041%	1,968,000	547,800	359.26%	54.00%
2018	0.0042%	2,074,000	563,934	367.77%	51.84%
2017	0.0055%	2,726,000	709,926	383.98%	50.14%
2016	0.0064%	2,773,000	823,187	336.86%	54.36%
2015	0.0049%	1,939,000	627,869	308.82%	57.24%
2014	0.0035%	1,432,000	442,766	323.42%	54.49%

NOTES

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

Changes in Actuarial Assumptions

The following actuarial assumptions were changed during the 2016/2017 fiscal year:

- Actuarial cost method – Entry Age Normal – level percent of pay
- Investment rate of 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 and seniority increases
- Mortality rates were based on 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-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.

Schedule of School's Pension Contributions - Public School Employee's Retirement System

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2021	$ 118,048	$ 118,048	$ -	$ 350,394	33.69%
2020	154,197	154,197	-	459,205	33.58%
2019	146,481	146,481	-	449,328	32.60%
2018	174,000	174,000	-	547,800	31.74%
2017	161,000	161,000	-	563,934	27.44%
2016	175,000	175,000	-	709,226	24.53%
2015	165,000	165,000	-	823,187	19.78%

NOTES

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

Schedule of School's Proportionate Share of Net OPEB Liability - Public School Employee's Retirement System

For the Fiscal Year Ended June 30	School's Proportion of the Net OPEB Liability (Asset)	School's Proportionate Share of the Net OPEB Liability (Asset)	School's Covered Payroll - measurement period	School's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	0.0033%	$ 71,303	$ 459,205	15.53%	5.69%
2020	0.0033%	70,185	449,328	15.62%	5.56%
2019	0.0041%	85,482	547,800	15.60%	5.56%
2018	0.0042%	86,000	563,934	15.25%	5.73%
2017	0.0055%	118,000	709,926	16.62%	5.47%

NOTES

The amounts presented for each fiscal year were determined as the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

This schedule with be expanded to show 10 fiscal years once information becomes available in the future.

Schedule of School's OPEB Contributions - Public School Employee's Retirement System

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2021	$ 2,873	$ 2,873	$ -	$ 350,394	0.82%
2020	3,872	3,872	-	459,205	0.84%
2019	3,729	3,729	-	449,328	0.83%
2018	4,475	4,475	-	547,800	0.82%

NOTES

This schedule with be expanded to show 10 fiscal years once information becomes available in the future.

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*

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 each major fund of Gettysburg Montessori Charter School, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Gettysburg Montessori Charter School's basic financial statements, and have issued our report thereon dated November 29, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Gettysburg Montessori Charter School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gettysburg Montessori Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Gettysburg Montessori Charter 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 Gettysburg Montessori Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Smith Elliott Kearns & Company LLC

Hanover, Pennsylvania
November 29, 2021