

Audited  
Financial  
Statements

June 30, 2023



**GETTYSBURG  
MONTESSORI**  
CHARTER SCHOOL

*Inspiring a Love of Learning*

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# INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Gettysburg Montessori Charter School  
Gettysburg, Pennsylvania

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Gettysburg Montessori Charter School (“the School”), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Gettysburg Montessori Charter School, as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis of Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Gettysburg Montessori Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Gettysburg Montessori Charter School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gettysburg Montessori Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Gettysburg Montessori Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, budgetary comparison schedule – general fund on pages 40, and schedules related to pension and OPEB liabilities on pages 41 through 44 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 June 28, 2024, 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.

York, Pennsylvania  
June 28, 2024

## **GETTYSBURG MONTESSORI CHARTER SCHOOL Management's Discussion and Analysis (Unaudited)**

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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, 2023 and of its financial activities during the fiscal year ended June 30, 2023. 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***

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Financial highlights for the 2022- 2023 fiscal year were:

- Total revenues increased by approximately \$295,000 due mainly to an increase in the average student population.
- At the close of the current fiscal year, the School reports an ending general fund balance of \$ 1,693,362. This balance was the result of a \$ 346,441 surplus for the year ended June 30, 2023.
- The School's cash balance in the general fund at June 30, 2023 was \$ 1,929,036 representing an increase of \$ 479,670 from June 30, 2022.

### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

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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.

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Management's Discussion and Analysis (Unaudited)**

**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, 2023 and June 30, 2022:

**TABLE 1**  
**STATEMENTS OF NET POSITION**  
*(in thousands)*

	Governmental Activities		Business-type Activity		Total	
	2023	2022 (restated)	2023	2022	2023	2022 (restated)
Current and other assets	\$ 2,145	\$ 1,713	\$ -	\$ 23	\$ 2,145	\$ 1,736
Noncurrent assets	5,597	5,744	-	-	5,597	5,744
<b>Total assets</b>	<b>7,742</b>	<b>7,457</b>	<b>-</b>	<b>23</b>	<b>7,742</b>	<b>7,480</b>
<b>Deferred outflows of resources</b>	<b>141</b>	<b>166</b>	<b>-</b>	<b>-</b>	<b>141</b>	<b>166</b>
Current liabilities	568	495	3	2	571	497
Noncurrent liabilities	4,816	4,991	-	-	4,816	4,991
<b>Total liabilities</b>	<b>5,384</b>	<b>5,486</b>	<b>3</b>	<b>2</b>	<b>5,387</b>	<b>5,488</b>
<b>Deferred inflows of resources</b>	<b>363</b>	<b>595</b>	<b>-</b>	<b>-</b>	<b>363</b>	<b>595</b>
Net assets						
Net investment in capital assets	1,683	1,710	-	-	1,683	1,710
Unrestricted (deficit)	453	(168)	(3)	21	450	(147)
<b>Total net position (deficit)</b>	<b>\$ 2,136</b>	<b>\$ 1,542</b>	<b>\$ (3)</b>	<b>\$ 21</b>	<b>\$ 2,133</b>	<b>\$ 1,563</b>

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Management's Discussion and Analysis (Unaudited)**

The School's net position at June 30, 2023 was \$ 2,132,475, and the net position of governmental activities was \$ 2,135,366. The net surplus reflects the impact of the net pension liability of \$ 978,092 and other net post-employment benefits of \$ 40,497 as of June 30, 2023. 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 \$ 5,588,139, net of accumulated depreciation, at June 30, 2023. The School's Statement of Net Position included \$ 3,898,506 of notes payable at June 30, 2023 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, 2023 and June 30, 2022:

**TABLE 2**  
**STATEMENTS OF ACTIVITIES**  
*(in thousands)*

	Governmental Activities		Business-type Activities		Total	
	2023	2022 (restated)	2023	2022 (restated)	2023	2022 (restated)
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 3	\$ 12	\$ 29	\$ 3	\$ 32	\$ 15
Operating grants and contributions	286	207	139	189	425	396
General revenues						
Receipts from other local education agencies	4,198	3,921	-	-	4,198	3,921
Other	26	54	-	-	26	54
<b>Total revenues</b>	<b>4,513</b>	<b>4,194</b>	<b>168</b>	<b>192</b>	<b>4,681</b>	<b>4,386</b>
<b>Expenses</b>						
Instruction	2,055	1,691	-	-	2,055	1,691
Support services	1,598	1,301	-	-	1,598	1,301
Noninstructional services	58	67	-	-	58	67
Interest on long-term debt	178	185	-	-	178	185
Food services	-	-	222	216	222	216
Other	31	34	(31)	(34)	-	-
<b>Total expenses</b>	<b>3,920</b>	<b>3,278</b>	<b>191</b>	<b>182</b>	<b>4,111</b>	<b>3,460</b>
<b>Increase (decrease) in net position</b>	<b>\$ 593</b>	<b>\$ 916</b>	<b>\$ (23)</b>	<b>\$ 10</b>	<b>\$ 570</b>	<b>\$ 926</b>

Total revenues for the year ended June 30, 2023 increased by approximately \$ 295,000, or 6.7% percent, from the year ended June 30, 2022. The School recognized increased revenues from local sources and decreased revenues from subsidy sources. The largest portion of the increase was attributable to increasing the per-student subsidy from \$ 14,945 in 2022 to \$ 15,147 in 2023.

Total expenses increased by approximately \$ 651,000, or 18.8% percent, for the year ended June 30, 2023 compared to the year ended June 30, 2022. 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.



# GETTYSBURG MONTESSORI CHARTER SCHOOL

## Management's Discussion and Analysis (Unaudited)

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### ***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 \$ 4,520,784 and the unassigned fund balance at June 30, 2023 was \$ 1,386,254, or 33% of budgeted expenditures for fiscal year 2023-2024.

The School expects that salaries and benefits will increase by approximately \$ 425,000 or 20%, in the 2023-2024 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. 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 the foreseeable future. The School is also likely to see an increase in employee health benefits costs in the upcoming fiscal year.

### ***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 9.1%. Expenditures varied by approximately 3.5%.

### ***Capital Assets***

At June 30, 2023, the School's governmental funds had \$ 5,588,139 invested in land, buildings, equipment, and construction-in-progress, net of accumulated depreciation. Table 3 shows balances at June 30, 2023 and at June 30, 2022.

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Land	\$ 60	\$ 60
Buildings and improvements	5,297	5,419
Furniture and equipment	161	248
Construction-in-progress	<u>70</u>	<u>8</u>
Total Capital Assets	<u>\$ 5,588</u>	<u>\$ 5,735</u>

## GETTYSBURG MONTESSORI CHARTER SCHOOL Management's Discussion and Analysis (Unaudited)

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The most significant addition to capital assets during the year ended June 30, 2023 was \$ 22,953 related to a Sun Tunnel and \$ 69,852 towards the School's paving project. No significant deletions to capital assets were made during the year ended June 30, 2023. 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, 2023, the School had \$ 3,898,506 of notes outstanding, \$ 40,497 in net OPEB liability and \$ 978,092 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, 2023 compared to June 30, 2022. 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**

	<b>June 30, 2023</b>	<b>June 30, 2022</b>
<b>Direct Borrowing</b>		
Members 1st Construction Loan	\$ 3,898,506	\$ 3,998,326
Total Outstanding Debt	\$ 3,898,506	\$ 3,998,326

### ***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. The school's enrollment was 277 during the fiscal year, eight students below full capacity. This growth is attributable both to the school's strong academic reputation and to its physical enhancements – namely, the completion of new K-6 classrooms, a library and an outdoor courtyard/play area prior to the start of the 2021-22 school year.

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, 2023**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 1,929,036	\$ -	\$ 1,929,036
Receivables			
Intergovernmental	104,055	-	104,055
Federal subsidies	53,387	-	53,387
State subsidies	14,054	-	14,054
Prepaid expenses	44,489	-	44,489
Total current assets	<u>2,145,021</u>	<u>-</u>	<u>2,145,021</u>
<b>Noncurrent Assets</b>			
Security deposit	8,365	-	8,365
Capital assets not being depreciated			
Land	60,000	-	60,000
Construction in progress	69,852	-	69,852
Capital assets net of accumulated depreciation			
Buildings and improvements	5,297,254	-	5,297,254
Furniture and equipment	154,337	-	154,337
Right-to-use assets - equipment	6,696	-	6,696
Total noncurrent assets	<u>5,596,504</u>	<u>-</u>	<u>5,596,504</u>
<b>Total Assets</b>	<u>7,741,525</u>	<u>-</u>	<u>7,741,525</u>
<b>Deferred Outflow of Resources</b>			
Deferred outflows related to pension liability	134,486	-	134,486
Deferred outflows related to OPEB liability	6,292	-	6,292
Total deferred outflows of resources	<u>140,778</u>	<u>-</u>	<u>140,778</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 7,882,303</u>	 <u>\$ -</u>	 <u>\$ 7,882,303</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 111,766	\$ -	\$ 111,766
Unearned revenue	178,333	2,891	181,224
Accrued salaries and benefits	169,126	-	169,126
Accrued expenses	799	-	799
Portion due or payable within one year			
Lease obligations	3,315	-	3,315
Notes payable	104,402	-	104,402
Total current liabilities	<u>567,741</u>	<u>2,891</u>	<u>570,632</u>
<b>Noncurrent liabilities</b>			
Portion due or payable after one year			
Notes payable	3,794,104	-	3,794,104
Lease obligations	3,578	-	3,578
Net OPEB liability	40,497	-	40,497
Net pension liability	978,092	-	978,092
Total noncurrent liabilities	<u>4,816,271</u>	<u>-</u>	<u>4,816,271</u>
<b>Total Liabilities</b>	<u>5,384,012</u>	<u>2,891</u>	<u>5,386,903</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension liability	323,628	-	323,628
Deferred inflows related to OPEB liability	39,297	-	39,297
Total deferred inflows of resources	<u>362,925</u>	<u>-</u>	<u>362,925</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,682,740	-	1,682,740
Unrestricted	452,626	(2,891)	449,735
Total Net Position	<u>2,135,366</u>	<u>(2,891)</u>	<u>2,132,475</u>
 Total Liabilities, Deferred Inflows of Resources and Net Position	 <u>\$ 7,882,303</u>	 <u>\$ -</u>	 <u>\$ 7,882,303</u>

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Statement of Activities**  
**Year Ended June 30, 2023**

Functions/Programs	Program Revenues			Net (Expense) Revenue and		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities</b>						
Instruction	\$ 2,054,917	\$ -	\$ 283,029	\$ (1,771,888)	\$ -	\$ (1,771,888)
Support services	1,597,513	-	2,987	(1,594,526)	-	(1,594,526)
Noninstructional services	58,037	2,931	-	(55,106)	-	(55,106)
Interest on long-term debt	178,474	-	-	(178,474)	-	(178,474)
Total governmental activities	3,888,941	2,931	286,016	(3,599,994)	-	(3,599,994)
<b>Business-type activities</b>						
Food services	222,357	29,273	138,693	-	(54,391)	(54,391)
Total primary government	\$ 4,111,298	\$ 32,204	\$ 424,709	(3,599,994)	(54,391)	(3,654,385)
<b>General revenues and transfers</b>						
Receipts from other local education agencies				4,198,050	-	4,198,050
Investment earnings				15,220	-	15,220
Miscellaneous income				18,074	-	18,074
Gain/(loss) on disposal of capital assets				(7,087)	-	(7,087)
Transfers in (out)				(31,037)	31,037	-
Total general revenues and transfers				4,193,220	31,037	4,224,257
Change in net position				593,226	(23,354)	569,872
Net position - beginning, as restated				1,541,940	20,463	1,562,403
Net position - ending				\$ 2,135,366	\$ (2,891)	\$ 2,132,475

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Balance Sheet – Governmental Fund**  
**June 30, 2023**

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	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,929,036
Intergovernmental receivables	104,055
Federal receivables	53,387
State receivables	14,054
Security deposits	8,365
Prepaid expenditures	44,489
Total assets	\$ 2,153,386
<b>LIABILITIES</b>	
Accounts payable	\$ 111,766
Accrued salaries and benefits	169,126
Accrued expenses	799
Unearned revenue	178,333
Total liabilities	460,024
<b>FUND BALANCES</b>	
Nonspendable	52,854
Committed	254,254
Unassigned	1,386,254
Total fund balances	1,693,362
Total liabilities and fund balances	\$ 2,153,386

DRAFT

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Reconciliation of the Governmental Fund Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2023**

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**Total fund balances - governmental funds** \$ 1,693,362

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	6,186,397	
Accumulated depreciation/amortization	<u>(598,258)</u>	5,588,139

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	(3,898,506)	
Lease obligations	(6,893)	
Net pension liability	(978,092)	
Deferred outflows related to net pension liability	134,486	
Deferred inflows related to net pension liability	(323,628)	
Net OPEB liability	(40,497)	
Deferred outflows related to net OPEB liability	6,292	
Deferred inflows related to net OPEB liability	<u>(39,297)</u>	<u>(5,146,135)</u>

**Net position of governmental activities in the**  
**Statement of Net Position** \$ 2,135,366

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**- Governmental Fund**  
**Year Ended June 30, 2023**

	<b>General Fund</b>
<b>REVENUES</b>	
Local sources	\$ 4,220,529
State sources	6,443
Federal sources	252,945
Other revenues	40,867
Total revenues	<u>4,520,784</u>
<b>EXPENDITURES</b>	
Instruction	2,323,163
Support services	1,490,363
Noninstructional services	36,766
Facilities acquisition, construction and improvements	15,302
Debt service	
Principal	99,820
Interest	177,892
Total expenditures	<u>4,143,306</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Interfund transfers in (out)	<u>(31,037)</u>
Total other financing sources (uses)	<u>(31,037)</u>
Net change in fund balances	<u>346,441</u>
Fund balances - beginning	<u>1,346,921</u>
Fund balances - ending	<u>\$ 1,693,362</u>

**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, 2023**

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**Net change in fund balances - total governmental funds** \$ 346,441

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.

Depreciation/amortization expense	(225,140)	
Capital outlays	<u>78,067</u>	(147,073)

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	99,820
Lease payments	20,020

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	263,731
Net OPEB liability and related deferred outflows and inflows	<u>10,287</u>

**Change in net position of governmental activities** \$ 593,226



**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Statement of Net Position – Proprietary Fund**  
**June 30, 2023**

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	<b>Food Service</b>
<b>ASSETS</b>	<u>\$ -</u>
<hr/>	
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Unearned revenues	\$ 2,891
Total current liabilities	<u>2,891</u>
<b>NET POSITION</b>	
Unrestricted	<u>(2,891)</u>
Total net position	<u>(2,891)</u>
Total liabilities and net position	<u>\$ -</u>

DRAFT

**GETTYSBURG MONTESSORI CHARTER SCHOOL****Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund  
Year Ended June 30, 2023**

	<b>Food Service</b>
<b>OPERATING REVENUE</b>	
Food service revenues	\$ 29,273
Total operating revenues	<u>29,273</u>
<b>OPERATING EXPENSES</b>	
Food and milk purchases	153,241
Salaries	60,948
Employee benefits	<u>8,168</u>
Total operating expenses	<u>222,357</u>
Operating (loss)	<u>(193,084)</u>
<b>NONOPERATING REVENUES</b>	
Federal subsidies	121,628
State subsidies	<u>17,065</u>
Total nonoperating revenues	<u>138,693</u>
<b>TRANSFERS</b>	
Interfund transfers in	<u>31,037</u>
Net change in net position	(23,354)
Total net position - beginning	<u>20,463</u>
Total net position - ending	<u>\$ (2,891)</u>

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Statement of Cash Flows – Proprietary Fund**  
**Year Ended June 30, 2023**

	<b>Food Service</b>
<b>Cash flows from operating activities</b>	
Cash received from food sales	\$ 30,119
Cash payments to suppliers for goods	(153,241)
Cash payments to and on behalf of employees	(69,116)
Net cash (used) by operating activities	<u>(192,238)</u>
<b>Cash flows from noncapital financing activities</b>	
Federal subsidies	143,430
State subsidies	17,771
Interfund transfers in (out)	31,037
Net cash provided by noncapital financing activities	<u>192,238</u>
Net change in cash and cash equivalents	-
Cash and cash equivalents - beginning	<u>-</u>
Cash and cash equivalents - ending	<u>\$ -</u>
<b>Reconciliation of loss from operations to net cash (used) by operating activities</b>	
Operating loss	\$ (193,084)
Adjustments to reconcile operating loss to net cash (used) by operating activities	
Increase (decrease) in Unearned revenues	<u>846</u>
Total adjustments	<u>846</u>
Net cash (used) by operating activities	<u>\$ (192,238)</u>

# GETTYSBURG MONTESSORI CHARTER SCHOOL

## Notes to Financial Statements

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### ***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)**

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***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.

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***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, 2023.

***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.

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***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, 2023.

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:

	<b>Governmental Activities Estimated Lives</b>
Buildings and improvements	15 – 40 years
Furniture and equipment	5 – 7 years
Right-to-use assets - equipment	5 years

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***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, 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)**

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***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.

***Leases***

**Lessee:** The School is a lessee for a noncancellable leases of equipment and buildings. The School recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the School initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the School is reasonably certain to exercise.

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

***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.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***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, 2023, totaled \$ 70,931.

***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.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***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.

**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.

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Notes to Financial Statements**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***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**

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***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, 2023, the School has a bank balance of \$ 2,124,761. Of this balance, \$ 250,000 is covered by NCUA insurance. The remaining balance of \$ 1,874,761 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**

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Interfund transfers were as follows for the year ended June 30, 2023:

<b>Funds</b>	<b>Operating Transfers In</b>	<b>Operating Transfers Out</b>
General	\$ -	\$ 31,037
Food Service	31,037	-
	<u>\$ 31,037</u>	<u>\$ 31,037</u>

For the year ended June 30, 2023, transfers from the General Fund to the Food Service Fund were made to satisfy cash deficiencies in ongoing food service operations.

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Notes to Financial Statements**

**NOTE 4 INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables at June 30, 2023 consist of the following:

		<b>General Fund</b>
Local:	Other local education agencies	\$ 104,055
State:	Child nutrition	14,054
Federal:	Various programs	<u>53,387</u>
		<u>\$ 171,496</u>

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the School consists of the following as of and for the year ended June 30, 2023:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental Activities</b>				
Cost				
Assets not being depreciated/amortized				
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Construction in progress	7,651	85,154	22,953	69,852
Assets being depreciated/amortized				
Buildings and improvements	5,695,158	22,953	-	5,718,111
Furniture and equipment	305,098	-	12,507	292,591
Right-to-use asset - equipment	45,843	-	-	45,843
Total cost	<u>6,113,750</u>	<u>108,107</u>	<u>35,460</u>	<u>6,186,397</u>
Less accumulated depreciation/amortization				
Buildings and improvements	(275,841)	(145,016)	-	(420,857)
Furniture and equipment	(83,570)	(60,104)	(5,420)	(138,254)
Right-to-use asset - equipment	(19,127)	(20,020)	-	(39,147)
Total accumulated depreciation/amortization	<u>(378,538)</u>	<u>(225,140)</u>	<u>(5,420)</u>	<u>(598,258)</u>
<b>Capital assets, net</b>	<u>\$ 5,735,212</u>	<u>\$ (117,033)</u>	<u>\$ 30,040</u>	<u>\$ 5,588,139</u>

**Business-Type Activities**

Cost

Depreciation expense for the year ended June 30, 2023 was charged to governmental functions as follows:

Instruction	\$ 102,404
Instructional student support	121,028
Student activities	<u>1,708</u>
	<u>\$ 225,140</u>

The construction in progress consists of the following at June 30, 2023:

Paving Project	<u>\$ 69,852</u>
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**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Notes to Financial Statements**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

As of June 30, 2023, the School had the following construction commitments:

	<b>Total Contracts</b>	<b>Total Costs Incurred</b>	<b>Total Costs To Be Incurred</b>
Paving Project	<u>\$ 127,004</u>	<u>\$ 69,852</u>	<u>\$ 57,152</u>

**NOTE 6 ACCRUED SALARIES AND BENEFITS**

Accrued salaries and benefits consist of the following as of June 30, 2023:

	<b>General Fund</b>
Accrued salaries	\$ 111,942
Accrued payroll taxes	8,564
Retirement	<u>48,620</u>
	<u>\$ 169,126</u>

**NOTE 7 LONG-TERM LIABILITIES**

The changes in long-term liabilities during the year ended June 30, 2023 were as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>	<b>Long-term Portion</b>
<b>Governmental Activities</b>						
Direct Borrowing Construction Loan	<u>\$ 3,998,326</u>	<u>\$ -</u>	<u>\$ (99,820)</u>	<u>\$ 3,898,506</u>	<u>\$ 104,402</u>	<u>\$ 3,794,104</u>
Lease obligations	<u>27,113</u>	<u>-</u>	<u>(20,220)</u>	<u>6,893</u>	<u>3,315</u>	<u>3,578</u>
<b>Total long-term liabilities</b>	<u>\$ 4,025,439</u>	<u>\$ -</u>	<u>\$ (120,040)</u>	<u>\$ 3,905,399</u>	<u>\$ 107,717</u>	<u>\$ 3,797,682</u>

**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 2045 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 July 2045.

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Notes to Financial Statements**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

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.

The annual debt requirements for future general obligation notes, using the stated interest rate as of June 30, 2023 are as follows:

Fiscal Year Ended June 30	Direct Borrowing		Leases		Total	
	Construction Loan		Principal	Interest	Principal	Interest
	Principal	Interest				
2024	\$ 104,402	\$ 173,310	\$ 3,315	\$ 146	\$ 107,717	\$ 173,456
2025	109,198	168,514	1,121	100	110,319	168,614
2026	114,215	163,497	1,158	63	115,373	163,560
2027	119,462	158,250	1,197	24	120,659	158,274
2028	124,950	152,762	102	-	125,052	152,762
2029-2033	716,311	672,250	-	-	716,311	672,250
2034-2038	896,675	491,886	-	-	896,675	491,886
2039-2043	1,122,454	266,107	-	-	1,122,454	266,107
2044-2046	590,839	31,644	-	-	590,839	31,644
	<u>\$ 3,898,506</u>	<u>\$ 2,278,220</u>	<u>\$ 6,893</u>	<u>\$ 333</u>	<u>\$ 3,905,399</u>	<u>\$ 2,278,553</u>

**Leases Obligations**

The School has four leases included in the lease obligation liability. The leases are for equipment and buildings which have interest rates of 3.25% and have payments terms of 60 to 63 months with expiration dates ranging from July 2024 to December 2027. The leases have monthly payment requirements ranging from \$ 102 to \$ 651 and are secured by the underlying assets of the leases. The associated right-to-use assets are disclosed in the Capital Assets footnote.

**NOTE 8 OTHER POSTEMPLOYMENT BENEFITS**

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***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, 2023, 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](http://www.psers.pa.gov).

***Contributions***

The School's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.64% 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 \$2,292 for the year ended June 30, 2023.



**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Notes to Financial Statements**

**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, 2023, the School reported a liability of \$40,497 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022. 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, 2022 the School's proportion was 0.0022 percent, which was consistent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023 the School recognized OPEB expense (benefit) of \$ (7,995).

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	4,000	10,000
Net difference between projected and actual investment earnings	-	-
Changes in proportions - plan	-	29,000
Difference between employer contributions and proportionate share of total contributions	-	297
Benefit payments/contributions subsequent to the measurement date	<u>2,292</u>	<u>-</u>
	<u>\$ 6,292</u>	<u>\$ 39,297</u>

The amount of \$ 2,292 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, 2023. 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:

<b>Year ended June 30</b>	
2024	\$ (11,109)
2025	(7,109)
2026	(7,032)
2027	(4,024)
2028	<u>(6,023)</u>
Total	<u>\$ (35,297)</u>

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Notes to Financial Statements**

**NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

***Actuarial Methods and Assumptions***

The total OPEB liability as of June 30, 2022, was determined by rolling forward the System’s total OPEB liability as of June 30, 2022 to June 30, 2023 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	4.09% - S&P 20-year municipal bond rate.
Salary	Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% 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.

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

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

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Notes to Financial Statements**

**NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

***Actuarial Methods and Assumptions (Continued)***

**Discount Rate**

The discount rate used to measure the OPEB liability was 4.09% 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 4.09% which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the 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.

	<b>1% Decrease 3.09%</b>	<b>Current Discount Rate 4.09%</b>	<b>1% Increase 5.09%</b>
PSERS - School's proportionate share of the net OPEB liability	\$ <u>46,000</u>	\$ <u>40,497</u>	\$ <u>36,000</u>

**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:

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
PSERS - School's proportionate share of the net OPEB liability	\$ <u>40,092</u>	\$ <u>40,497</u>	\$ <u>40,902</u>

***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](http://www.psers.pa.gov).

As of June 30, 2023, the School had \$ 1,093 included in accrued wages liability, of which \$ 643 is for the contractually required contribution for the second quarter of 2023 and \$ 450 is related to the accrued payroll liability for wages incurred as of June 30, 2023.

**NOTE 9 DEFINED BENEFIT PENSION PLAN**

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***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](http://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.

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Notes to Financial Statements**

**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*

The contribution rates on qualified member compensation for virtually all members are presented below:

<b>Member Contribution Rates</b>				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	7.50%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	10.3%
T-G	On or after July 1, 2019	5.5% base rate with shared risk provision	2.75%	8.25%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	7.50%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

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

*Employer Contributions*

The School's contractually required contribution rate for the fiscal year ended June 30, 2023 was 34.51% of covered payroll for the defined benefit portion and .75% 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 \$ 105,479 for the year ended June 30, 2023.

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Notes to Financial Statements**

**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, 2023, the School reported a liability of \$ 978,082 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. The 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, 2022, the School's proportion was 0.0022 percent.

For the year ended June 30, 2023, the School recognized pension expense in the Governmental Activities in the amount of \$ (158,251).

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 8,000
Changes in assumptions	29,000	-
Net difference between projected and actual investment earnings	-	16,000
Changes in proportionate share - plan	-	296,000
Difference between employer contributions and proportionate share of total contributions	7	3,628
Contributions subsequent to the measurement date	105,479	-
	<u>\$ 134,486</u>	<u>\$ 323,628</u>

The deferred outflows of resources related to pension of \$ 105,479 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Year ended June 30</b>
2024	\$ (128,265)
2025	(128,273)
2026	(61,083)
2027	23,000
Total	<u>\$ (294,621)</u>

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Notes to Financial Statements**

**NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

***Actuarial Assumptions***

The total pension liability as of June 30, 2022 was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022 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 – 7.00%, includes inflation at 2.75%
- Salary growth – effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit and seniority increases
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2021 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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global public equity	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed income	33.0%	2.3%
Commodities	9.0%	2.3%
Absolute return	9.0%	5.4%
Infrastructure/MLPs	11.0%	4.6%
Real estate	6.0%	3.5%
Cash	3.0%	0.5%
Leverage	(11.0)%	0.5%
	<u>100%</u>	

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

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Notes to Financial Statements**

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**NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the 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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	6.00%	7.00%	8.00%
School’s proportionate share of the net pension liability	\$ 1,265,000	\$ 978,082	\$ 736,000

***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](http://www.psers.state.pa.us).

***Payables to the Pension Plan***

As of June 30, 2023, the School had \$ 42,412 included in accrued wages liability, of which \$ 24,940 is for the contractually required contribution for the second quarter of 2023 and \$ 17,472 is related to the accrued payroll liability for wages incurred as of June 30, 2023.

**NOTE 10 RISK MANAGEMENT**

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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.



**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Notes to Financial Statements**

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**NOTE 11 FUND BALANCE**

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

	<u>General Fund</u>
<b>FUND BALANCES</b>	
Nonspendable	
Security deposits	\$ 8,365
Prepaid expenditures	44,489
Committed	
Building	254,254
Unassigned	<u>1,386,254</u>
Total fund balances	<u>\$ 1,693,362</u>

**NOTE 12 COMMITMENTS, CONTINGENCIES, AND UNCERTAINTIES**

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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, 2023 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.

**NOTE 13 RESTATEMENT**

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The School corrected an error related to the prior year calculation of deferred inflows and outflows of resources related to its net pension liability, which required the following restatement of its June 30, 2022 net position.

	<u>Governmental Activities</u>
Net position as of June 30, 2022, as originally stated	\$ 1,466,208
Restatement of pension related deferred inflows and outflows	<u>75,732</u>
Net position as of June 30, 2022, as restated	<u>\$ 1,541,940</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

DRAFT

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2023**

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY/ GAAP BASIS)	WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Local sources	\$ 4,023,416	\$ 4,023,416	\$ 4,220,529	\$ 197,113
State sources	7,000	7,000	6,443	(557)
Federal sources	3,456	3,456	252,945	249,489
Other revenues	<u>110,594</u>	<u>110,594</u>	<u>40,867</u>	<u>(69,727)</u>
Total revenues	<u>4,144,466</u>	<u>4,144,466</u>	<u>4,520,784</u>	<u>376,318</u>
<b>EXPENDITURES</b>				
Instruction	2,231,844	2,231,844	2,323,163	(91,319)
Support services	1,467,918	1,467,918	1,490,363	(22,445)
Noninstructional services	25,025	25,025	36,766	(11,741)
Facilities acquisition, construction and improvements	-	-	15,302	(15,302)
Debt service				
Principal	100,500	100,500	99,820	680
Interest	<u>177,500</u>	<u>177,500</u>	<u>177,892</u>	<u>(392)</u>
Total expenditures	<u>4,002,787</u>	<u>4,002,787</u>	<u>4,143,306</u>	<u>(140,519)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers	-	-	(31,037)	(31,037)
Total other financing sources and (uses)	-	-	(31,037)	(31,037)
Net change in fund balances	<u>\$ 141,679</u>	<u>\$ 141,679</u>	<u>\$ 346,441</u>	<u>\$ 204,762</u>

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Schedule of School's Proportionate Share of Net Pension Liability - Public School**  
**Employee's Retirement System**

<b>For the Fiscal Year Ended June 30</b>	<b>School's Proportion of the Net Pension Liability (Asset)</b>	<b>School's Proportionate Share of the Net Pension Liability (Asset)</b>	<b>School's Covered Payroll - Measurement Period</b>	<b>School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2023	0.0022%	\$ 978,092	\$ 316,920	308.62%	61.34%
2022	0.0025%	1,026,418	350,394	292.93%	63.67%
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.

**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 – 7.00%, 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 following actuarial assumptions were changed during the 2021/2022 fiscal year:

- Investment return – 7.00%, includes inflation at 2.50%
- Salary growth – Effective average of 4.5%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases
- Mortality rates were based on a blend of 50% Pub T-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Schedule of School's Pension Contributions - Public School Employee's Retirement**  
**System**

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<b>For the Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to the Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll - Fiscal Year</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2023	\$ 105,479	\$ 105,479	\$ -	\$ 326,664	34.51%
2022	105,333	105,333	-	316,920	33.24%
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**

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

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**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Schedule of School's Proportionate Share of Net OPEB Liability - Public School**  
**Employee's Retirement System**

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<b>For the Fiscal Year Ended June 30</b>	<b>School's Proportion of the Net OPEB Liability (Asset)</b>	<b>School's Proportionate Share of the Net OPEB Liability (Asset)</b>	<b>School's Covered Payroll - measurement period</b>	<b>School's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
2023	0.0022%	\$ 40,497	\$ 316,920	12.78%	6.86%
2022	0.0025%	59,252	355,450	16.67%	5.30%
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**

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

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**GETTYSBURG MONTESSORI CHARTER SCHOOL**  
**Schedule of School's OPEB Contributions - Public School Employee's Retirement System**

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<b>For the Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to the Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll - Fiscal Year</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2023	\$ 2,292	\$ 2,292	\$ -	\$ 316,920	0.72%
2022	2,468	2,468	-	326,664	0.76%
2021	2,915	2,915	-	355,450	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**

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

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**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, and the aggregate remaining fund information of Gettysburg Montessori Charter School, as of and for the year ended June 30, 2023, 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 June 28, 2024.

***REPORT ON 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 or significant deficiencies may exist that have not been identified.



## **REPORT ON 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.

Hanover, Pennsylvania  
June 28, 2024

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