



---

**GILLINGHAM CHARTER SCHOOL**

**AUDIT REPORT**

**JUNE 30, 2023**

---

GILLINGHAM CHARTER SCHOOL

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
- Statement of Net Position	8
- Statement of Activities	9
Fund Financial Statements:	
- Balance Sheet - Governmental Funds	10
- Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	11
- Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
- Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds to Statement of Activities	13
- Budgetary Comparison Statement - General Fund	14
Notes to Financial Statements	15
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the School's Proportionate Share of the Net Pension Liability - PSERS	36
Schedule of School Pension Contributions - PSERS	37
Schedule of the School's Proportionate Share of the Net OPEB Liability - PSERS	38
Schedule of School OPEB Contributions - PSERS	39
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40



## INDEPENDENT AUDITOR'S REPORT

December 20, 2024

To the Board of Directors  
Gillingham Charter School  
Pottsville, Pennsylvania

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of the governmental activities and each major fund of the Gillingham Charter School ("the School"), Pottsville, Pennsylvania, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Gillingham Charter School, Pottsville, Pennsylvania, as of June 30, 2023, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") 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. The financial statements of the Gillingham Charter School Foundation ("the Foundation Fund") were not audited in accordance with *Government Auditing Standards*. We are required to be independent of the 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.

To the Board of Directors  
Gillingham Charter School

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 GAAS 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 GAAS 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 the 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 School's ability to continue as a going concern for a reasonable period of time.

To the Board of Directors  
Gillingham Charter School

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.

Emphasis of Matter

As discussed in Note 20 to the financial statements, the School reassessed its relationship with the Gillingham Charter School Foundation, and it was concluded that it should be presented as a blended component unit in the School's financial statements. Our opinions are not modified with respect to this matter.

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 7, and the schedule of the School's proportionate share of the net pension liability - PSERS, schedule of School pension contributions - PSERS, schedule of the School's proportionate share of the net OPEB liability - PSERS, and schedule of School OPEB contributions - PSERS on pages 36 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2024, on our consideration of the 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 solely 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 effectiveness of 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 the School's internal control over financial reporting and compliance.

  
BARBACANE, THORNTON & COMPANY LLP

**GILLINGHAM CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2023**

The Board of Directors of the Gillingham Charter School ("the School") offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

**Financial Highlights**

Total net position for the School decreased by \$224,498. Program revenues accounted for \$457,875, or 10.4 percent of total revenues; and general revenues accounted for \$3,937,491, or 89.6 percent of the total revenues.

As of June 30, 2023, the general fund reported fund balance of \$558,191, which is a decrease of \$404,734 from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The management's discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements as presented comprise four components: Management's Discussion and Analysis (this section), the basic financial statements, required supplementary information, and reporting required under *Government Auditing Standards*.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

A *fund* is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The School, like government-type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School has two governmental funds – the General Fund and the Foundation Fund.

**GILLINGHAM CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2023**

Notes to the Financial Statements

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

In the case of the School, liabilities and deferred inflows of resources exceeded assets and deferred outflows by \$75,165 at June 30, 2023, a decrease of \$224,498 from June 30, 2022. The following table is a comparative analysis of fiscal year 2023 to 2022:

**STATEMENTS OF NET POSITION**

	Governmental Activities	
	2023	2022
Current assets	\$ 1,128,633	\$ 1,689,375
Capital assets	854,557	852,019
<b>Total Assets</b>	1,983,190	2,541,394
Deferred outflows of resources	224,115	229,424
<b>Total Assets and Deferred Outflows of Resources</b>	\$ 2,207,305	\$ 2,770,818
Current liabilities	\$ 682,095	\$ 794,212
Long-term liabilities	1,502,160	1,446,785
<b>Total Liabilities</b>	2,184,255	2,240,997
Deferred inflows of resources	98,215	380,488
<b>Total Liabilities and Deferred Inflows of Resources</b>	2,282,470	2,621,485
Net Position (Deficit):		
Net investment in capital assets	676,635	689,954
Unrestricted (deficit)	(751,800)	(540,621)
<b>Total Net Position (Deficit)</b>	(75,165)	149,333
<b>Total Liabilities, Deferred Inflows of Resources and Net Position (Deficit)</b>	\$ 2,207,305	\$ 2,770,818

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The School's revenues are predominately local school district funds based on student enrollment. For the year ended June 30, 2023, the School's total expenses of \$4,619,864 exceeded revenues of \$4,395,362 by \$224,498.

**GILLINGHAM CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2023**

**STATEMENTS OF CHANGES IN NET POSITION**

	Governmental Activities	
	2023	2022
<b>Revenues</b>		
Program revenues:		
Operating grants and contributions	\$ 457,875	\$ 838,945
Total Program Revenues	457,875	838,945
General revenues:		
Local education agency revenues	3,867,478	3,632,740
Rental income	950	2,880
Earnings on cash and investments	3,178	-
Contributions	10,491	1,235
Other revenues	55,394	18,749
Total General Revenues	3,937,491	3,655,604
<b>Total Revenues</b>	4,395,366	4,494,549
 <b>Expenses</b>		
Instruction	1,933,274	2,406,461
Support services	2,164,880	1,628,938
Non-instructional services	321,974	18,324
Interest	14,273	4,129
Miscellaneous	-	7,636
Depreciation/amortization expense (unallocated)	185,463	98,267
<b>Total Expenses</b>	4,619,864	4,163,755
 Changes in Net Position (Deficit)	\$ (224,498)	\$ 330,794

**Governmental Funds**

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

As of June 30, 2023, the general fund reported fund balance of \$558,191, which is a decrease of \$404,734 from the prior year.

**Budget Variations**

The School's budget is prepared in accordance with Pennsylvania law and is based on the modified accrual basis of accounting. The School may amend its revenue and expenditure estimates periodically due to changing conditions. The original budget was not amended during fiscal year 2023.



**GILLINGHAM CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
JUNE 30, 2023**

Actual revenues were less than budgeted revenues mainly due to a decrease in federal funds. Actual expenses were more than budgeted expenses mainly increases in capital outlays, support services, debt services, and noninstructional services.

**Capital Asset and Debt Administration**

***Capital Assets***

As of June 30, 2023, the School's investment in capital assets, net of accumulated depreciation/amortization totaled \$854,557. Capital assets include buildings, building improvements, and furniture and equipment. Additional information on the School's capital assets can be found in Note 5 of this report.

***Long-term Debt***

The School had debt in the amount of \$177,922 as of June 30, 2023. Additional information on the School's long-term debt can be found in Note 10 of this report.

**Significant Events**

The Administration will actively work to secure additional grants and awards for which the School may qualify through the Pennsylvania Department of Education, the federal government, and alternative education agencies.

The Board of Directors, administration, and staff will continue to be strongly committed to the education of the students enrolled in the School. Our continued goal is to build the foundation for a successful future for all of our students through academics.

**Economic Factors and Next Year's Budgets and Rates**

The School's primary source of revenue, the per student subsidy provided by the surrounding school districts of the area, will increase for fiscal year 2023-2024 due primarily to an increase in the regular and special education tuition rates.

The retirement contribution rate will increase from 34.94 percent to 35.26 percent.

**Contacting the School's Financial Management**

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to the Executive Director, Gillingham Charter School, 915 Howard Avenue, Pottsville, PA 17901.

**GILLINGHAM CHARTER SCHOOL  
STATEMENT OF NET POSITION  
JUNE 30, 2023**

	<u>Governmental Activities</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 976,386
State subsidies receivables	31
Federal subsidies receivables	34,128
Other receivables	8,414
Deposit	2,500
Prepaid expenses	107,174
Total Current Assets	<u>1,128,633</u>
<b>NONCURRENT ASSETS:</b>	
<b>Capital assets:</b>	
Land	33,290
Property and equipment, net	651,866
Right-to-use lease asset, net	169,401
Total Noncurrent Assets	<u>854,557</u>
<b>TOTAL ASSETS</b>	<u><u>1,983,190</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pension	213,369
Deferred outflows related to OPEB	10,746
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>224,115</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 2,207,305</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 49,554
Accrued salaries and related costs	290,143
Accrued expenses	21,794
Due to school districts	152,770
Unearned revenue	57,072
Lease liability	110,762
Total Current Liabilities	<u>682,095</u>
<b>NONCURRENT LIABILITIES:</b>	
Lease liability	67,160
Net pension liability	1,378,000
Net OPEB liability	57,000
Total Noncurrent Liabilities	<u>1,502,160</u>
<b>TOTAL LIABILITIES</b>	<u><u>2,184,255</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pension	73,551
Deferred inflows related to OPEB	24,664
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>98,215</u>
<b>NET POSITION</b>	
Net investment in capital assets	676,635
Unrestricted (deficit)	(751,800)
<b>TOTAL NET POSITION (DEFICIT)</b>	<u><u>(75,165)</u></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u><u>\$ 2,207,305</u></u>

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

**GILLINGHAM CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

	Program Revenues			Net Revenue (Expenses) and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 1,933,274	\$ -	\$ 208,496	\$ -	\$ (1,724,778)
Support services	2,164,880	-	6,534	-	(2,158,346)
Noninstructional services	321,974	-	242,845	-	(79,129)
Interest expense	14,273	-	-	-	(14,273)
Unallocated amortization/depreciation expense	185,463	-	-	-	(185,463)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 4,619,864</b>	<b>\$ -</b>	<b>\$ 457,875</b>	<b>\$ -</b>	<b>(4,161,989)</b>
GENERAL REVENUES					
					3,867,478
					3,178
					10,491
					56,344
<b>TOTAL GENERAL REVENUES</b>					<b>3,937,491</b>
CHANGE IN NET POSITION					(224,498)
NET POSITION, BEGINNING OF YEAR, RESTATED					149,333
NET POSITION (DEFICIT), END OF YEAR					<b>\$ (75,165)</b>

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

**GILLINGHAM CHARTER SCHOOL  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	General Fund	Foundation Fund	Totals
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 972,817	\$ 3,569	\$ 976,386
State subsidies receivable	31	-	31
Federal subsidies receivable	34,128	-	34,128
Other receivables	1,747	6,667	8,414
Deposit	2,500	-	2,500
Prepaid expenditures	<u>104,551</u>	<u>2,623</u>	<u>107,174</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,115,774</u></u>	<u><u>\$ 12,859</u></u>	<u><u>\$ 1,128,633</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 38,684	\$ 10,870	\$ 49,554
Accrued expenses	21,794	-	21,794
Unearned revenue	54,192	2,880	57,072
Due to school districts	152,770	-	152,770
Accrued salaries and related costs	<u>290,143</u>	<u>-</u>	<u>290,143</u>
<b>TOTAL LIABILITIES</b>	<u>557,583</u>	<u>13,750</u>	<u>571,333</u>
<b>FUND BALANCES (DEFICIT):</b>			
Nonspendable - prepaid expenditures	104,551	2,623	107,174
Unassigned (deficit)	<u>453,640</u>	<u>(3,514)</u>	<u>450,126</u>
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<u>558,191</u>	<u>(891)</u>	<u>557,300</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 1,115,774</u></u>	<u><u>\$ 12,859</u></u>	<u><u>\$ 1,128,633</u></u>

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

**GILLINGHAM CHARTER SCHOOL  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO STATEMENT OF NET POSITION  
JUNE 30, 2023**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 557,300

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Buildings and building improvements	\$ 702,077	
Land	33,290	
Furniture and equipment	676,879	
Right to use lease asset	294,965	
Accumulated amortization/depreciation	<u>(852,654)</u>	854,557

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Lease liability	(177,922)	
Net pension liability	(1,378,000)	
Net OPEB liability	<u>(57,000)</u>	(1,612,922)

Deferred inflows and outflows of resources related to the School's pension and OPEB liabilities do not represent current resources or uses of resources and, therefore, are not reported in the funds. Deferred inflows and outflows of resources consist of the following:

Deferred outflows of resources:		
Deferred outflows related to pension	213,369	
Deferred outflows relating to OPEB	10,746	
Deferred inflows of resources:		
Deferred inflows relating to pension	(73,551)	
Deferred inflows relating to OPEB	<u>(24,664)</u>	<u>125,900</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (75,165)

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

**GILLINGHAM CHARTER SCHOOL  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Foundation Fund	Total
REVENUES			
Local	\$ 3,867,480	\$ -	\$ 3,867,480
State	27,267	-	27,267
Federal	430,608	-	430,608
Other	58,570	11,441	70,011
TOTAL REVENUES	<u>4,383,925</u>	<u>11,441</u>	<u>4,395,366</u>
EXPENDITURES			
Current:			
Instruction	2,034,772	-	2,034,772
Support services	2,252,347	-	2,252,347
Noninstructional services	315,123	6,851	321,974
Debt service	128,316	3,463	131,779
Capital outlay	188,001	-	188,001
TOTAL EXPENDITURES	<u>4,918,559</u>	<u>10,314</u>	<u>4,928,873</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(534,634)</u>	<u>1,127</u>	<u>(533,507)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from lease	129,900	-	129,900
TOTAL OTHER FINANCING SOURCES (USES)	<u>129,900</u>	<u>-</u>	<u>129,900</u>
NET CHANGE IN FUND BALANCES	(404,734)	1,127	(403,607)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR, RESTATED	<u>962,925</u>	<u>(2,018)</u>	<u>960,907</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 558,191</u>	<u>\$ (891)</u>	<u>\$ 557,300</u>

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

**GILLINGHAM CHARTER SCHOOL  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (403,607)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation/amortization expense. In the current period, these amounts are:

Capital outlays	\$ 58,101	
Amortization/depreciation expense	<u>(185,463)</u>	(127,362)

Debt proceeds are reported as financing sources in the governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. 117,506

Pension and OPEB expenses in the statement of activities differ from the amount reported in the governmental funds because pension and OPEB expenses are recognized in the statement of activities based on the School's proportionate share of the expenses of the cost-sharing pension and OPEB plans, whereas pension and OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. 188,965

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ (224,498)

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

**GILLINGHAM CHARTER SCHOOL  
BUDGETARY COMPARISON STATEMENT - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Local educational agency assistance	\$ 3,808,742	\$ 3,867,480	\$ 58,738
State	62,439	27,267	(35,172)
Federal	635,390	430,608	(204,782)
Other local sources	34,814	58,570	23,756
<b>TOTAL REVENUES</b>	<u>4,541,385</u>	<u>4,383,925</u>	<u>(157,460)</u>
<b>EXPENDITURES</b>			
Instruction	2,230,668	2,034,772	195,896
Support services	1,861,123	2,252,347	(391,224)
Noninstructional services	291,929	315,123	(23,194)
Debt service	128,316	128,316	-
Capital outlay	-	188,001	(188,001)
<b>TOTAL EXPENDITURES</b>	<u>4,512,036</u>	<u>4,918,559</u>	<u>(406,523)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER EXPENDITURES)</b>	<u>29,349</u>	<u>(534,634)</u>	<u>(563,983)</u>
<b>OTHER FINANCING USES</b>			
Proceeds from lease	-	129,900	129,900
<b>TOTAL OTHER FINANCING USES</b>	<u>-</u>	<u>129,900</u>	<u>129,900</u>
<b>NET CHANGE IN FUND BALANCE</b>	29,349	(404,734)	(434,083)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>962,925</u>	<u>962,925</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 992,274</u>	<u>\$ 558,191</u>	<u>\$ (434,083)</u>

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



## GILLINGHAM CHARTER SCHOOL

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Gillingham Charter School ("the School") is a charter school located in Pottsville, Pennsylvania. The School was established and operates under the provisions enacted by the General Assembly of the Commonwealth of Pennsylvania in 1997. The School is currently operating under the terms of a charter school contract that expired on June 30, 2023. The School is currently negotiating a new charter agreement and will continue to operate through the process.

The financial statements of the School are prepared in accordance with the accounting system and procedures prescribed for charter schools by the Commonwealth of Pennsylvania, Department of Education, which conforms to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

#### Reporting Entity

GASB's *Codification of Governmental Accounting and Financial Reporting Standards* ("GASB Codification") established the criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity. In evaluating the School as a reporting entity, management has addressed all potential component units which may or may not fall within the School's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the School's reporting entity are financial accountability and the nature and significance of the relationship. On the basis of these criteria, the Gillingham Charter School Foundation ("the Foundation Fund") is a component unit of the School.

#### Blended Component Unit

Gillingham Charter School Foundation ("the Foundation Fund") is a legally separate, tax-exempt organization to provide public education facilities, including land and buildings and improvements for the benefit of the School. Although the School does not control the timing or amounts of receipts from the Foundation Fund, the majority of resources or income thereon that the Foundation Fund holds are restricted to the activities of the School. Because these restricted resources held by the Foundation Fund can only be used by or for the benefit of the School, the Foundation Fund is considered a blended component unit. The Foundation Fund is combined with the School's governmental activities and presented as a special revenue fund in accordance with the GASB Codification.

#### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The entity-wide financial statements (the statement of net position and the statement of activities) report on the School as a whole. The statement of activities demonstrates the

GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

degree to which the direct expenses of the School's functions are offset by the program revenues.

The statement of net position and the statement of activities are prepared 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 the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

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

The government-wide financial statements report net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances of borrowing attributable to acquiring, constructing, or improving those assets. Net position is reported as restricted when position is reported as restricted when constraints placed on the net position use are either externally imposed by creditors (such as through debt covenants), grantors or contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

During the school year, the School segregates transactions related to certain School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. 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.

*Governmental Funds*

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The School reports the following major governmental funds:

- **General Fund** – The general fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- **Foundation Fund** – The Foundation Fund is used to account for and report financial resources of the School's blended component unit.

Fund balance of the governmental fund is classified as applicable, as follows:

*Nonspendable* – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* – amounts that can be used only for specific purposes determined by formal action of the Board of Directors. The Board is the highest level of decision-making authority for the School. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

*Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Executive Director may assign amounts for specific purposes.

*Unassigned* – all other spendable amounts.

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

Revenue Recognition

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Charges to school districts, state appropriations, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

All other revenue items are considered to be measurable and available only when the School receives cash because they generally are not measurable until actually received.

GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Prepaid Expenses/Expenditures

Prepaid expenses and expenditures include payments to vendors for services applicable to future accounting periods such as insurance premiums at cost and business services to be consumed in future accounting periods.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual budget is adopted for the general fund, and they lapse at the end of the year.

Cash and Cash Equivalents

The School's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Federal and State Subsidies Receivable

Accounts receivable primarily consist of amounts due from the Pennsylvania Department of Education for federal grants and state subsidy programs. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management determines if an allowance for doubtful accounts is necessary based upon review of outstanding receivables, historical collection experience, and existing economic conditions. Accounts deemed uncollectible are charged off based on this review. As of June 30, 2023, no allowance for doubtful accounts was deemed necessary.

Other Receivables

Other receivables include grants and other non-contract receivables. The School provides an allowance for doubtful accounts using the allowance method, which is based on management's judgment considering historical information. In addition, an allowance is

GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

provided for other accounts when a significant pattern of collectability has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance.

Capital Assets

Capital assets, which include building and improvements, furniture and equipment, and right-to-use lease assets are reported in the government-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. The School does not possess any infrastructure. Improvements are capitalized, and the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life is expensed.

The School will capitalize any asset purchased at a cost greater than \$2,500. Similar items purchased in the same timeframe and items related to the same project or purchase can be pooled together for capitalization and depreciation. Capital assets of the School are depreciated/amortized using the straight-line method over the following useful lives of the assets:

Building improvements	25 years
Furniture and equipment	5 - 7 years
Right-to-use lease assets	Term of leases

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the financial statements will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. Pension and OPEB contributions made subsequent to the measurement date and, therefore, not reflected in the net pension and OPEB liabilities under full accrual basis reporting are reported as a deferred outflow of resources on the entity-wide statement of net position. Certain changes to the net pension and OPEB liabilities are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred inflows and outflows of resources on the entity-wide statement of net position.

Income Tax Status

The School and the Foundation Fund are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The School and Foundation Fund qualify for the charitable contribution deduction

GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

under Section 170(b)(1)(A) and have been classified as organizations that are not private foundations under Section 509(a)(1). The School and the Foundation Fund did not engage in any unrelated business activities during the fiscal year. Management believes more likely than not that the tax-exempt status and tax positions of the School and the Foundation Fund will be sustained if examined by authorities.

Use of Estimates in the Preparation of Financial Statements

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

NOTE 3 CASH AND CASH EQUIVALENTS

***Deposits***

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. The School does not have a policy for custodial credit risk. At June 30, 2023, the carrying amount of the School's deposits was \$976,386, and the bank balance was \$994,881. Of this amount, \$324,578 was insured by the Federal Deposit Insurance Corporation (FDIC), and \$670,303 was exposed to custodial credit risk because it was uninsured, and the collateral held by the depository's agent was not in the School's name.

NOTE 4 RECEIVABLES

Receivables as of June 30, 2023 consist of subsidies from federal, state, and other receivables. A summary of receivables is as follows:

Federal	\$ 34,128
State	31
Other	<u>8,414</u>
TOTAL	<u>\$ 42,573</u>

GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS

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

	Balance 07/01/22	Additions	Deletions	Balance 06/30/23
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated/ amortized:				
Land	\$ 33,290	\$ -	\$ -	\$ 33,290
<b>Total Capital Assets Not Being Depreciated/Amortized</b>	<b>33,290</b>	<b>-</b>	<b>-</b>	<b>33,290</b>
Capital assets being depreciated/ amortized:				
Building and improvements	702,077	-	-	702,077
Machinery and equipment	504,831	47,081	-	551,912
Right-to-use lease asset	165,065	129,900	-	294,965
Furniture and fixtures	113,947	11,020	-	124,967
<b>Total Capital Assets Being Depreciated/ Amortized</b>	<b>1,485,920</b>	<b>188,001</b>	<b>-</b>	<b>1,673,921</b>
Accumulated depreciation	(645,895)	(81,195)	-	(727,090)
Accumulated amortization	(21,296)	(104,268)	-	(125,564)
<b>Total Capital Assets Being Depreciated/ Amortized, Net</b>	<b>818,729</b>	<b>2,538</b>	<b>-</b>	<b>821,267</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 852,019</b>	<b>\$ 2,538</b>	<b>\$ -</b>	<b>\$ 854,557</b>

Depreciation/amortization expense was charged to functions/programs of the School as follows:

<b>GOVERNMENTAL ACTIVITIES:</b>	
Unallocated	<u>\$ 185,463</u>

NOTE 6 FUNDING

The School receives funding from surrounding school districts on a monthly basis based on enrollment. The rate of funding per student is determined on an annual basis. The School also receives state and federal funding.

GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 7 GOVERNMENT GRANTS AND REIMBURSEMENT PROGRAMS

The School participates in numerous state and federal grant and reimbursement programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs and reimbursement programs for facility lease costs and health services are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants and reimbursement programs, 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 the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 8 NOTES PAYABLE

The Foundation has loan with a 2 year term with payments made in equal installments of \$442 including interest at 5.75% until maturity. The loan was paid off during the year ended June 30, 2023.

NOTE 9 LINE OF CREDIT

The School maintains a \$150,000 line of credit agreement (line) with First National Bank, which accrues interest at the Wall Street Journal prime rate plus 2% and is payable on demand. The interest rate for June 30, 2023 was 10.25%. The line is for working capital purposes and is collateralized by School assets. As of June 30, 2023, the entire amount was available to be drawn upon. There was no activity on the line during the year ended June 30, 2023.

NOTE 10 LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Lease liability	\$ 145,387	\$ 129,900	\$ 97,365	\$ 177,922	\$ 110,762
Notes payable	20,141	-	20,141	-	-
Net pension liability	1,273,000	105,000	-	1,378,000	-
Net OPEB liability	74,000	-	17,000	57,000	-
<b>TOTALS</b>	<u>\$ 1,512,528</u>	<u>\$ 234,900</u>	<u>\$ 134,506</u>	<u>\$ 1,612,922</u>	<u>\$ 110,762</u>

Payments of long-term liabilities from notes payable, lease liability, net OPEB liability, and net pension liability are paid out from the general fund.



GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 11 LEASING ARRANGEMENTS

The School leases three buildings, each under separate lease agreements. Two buildings are leased by the School from Most Reverend Alfred Schlert, D.D., J.C.L. while the one is leased from Pottsville Athletics. Each expire in June 2024.

In addition, the School leases equipment under lease agreements with expiration dates between July 2024 and June 2027.

At June 30, 2023, the minimum future rental payments representing principal and interest under the leasing arrangements for the remaining period and in the aggregate are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 110,762	\$ 8,440	\$ 119,202
2025	24,682	4,285	28,967
2026	20,289	3,482	23,771
2027	22,189	1,581	23,770
	<u>\$ 177,922</u>	<u>\$ 17,788</u>	<u>\$ 195,710</u>

NOTE 12 PENSION PLAN

Plan Description

The School contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Pennsylvania Public School Employees' Retirement System. The PSERS provides retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments, and certain healthcare insurance premium assistance to plan members and beneficiaries. The Public School Employees Retirement Code (Act No. 96 of October 2, 1975, as amended) provides the authority to establish and amend benefit provisions. The PSERS issues an annual comprehensive financial report that includes financial statements and required supplementary information for the plan. The publication is also available on the PSERS website at [www.psers.state.pa.us/publications/cafr/index.htm](http://www.psers.state.pa.us/publications/cafr/index.htm).

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62, with at least one 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

GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 12 PENSION PLAN (cont'd)

and introduced benefit reductions for individuals who became 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 three years of service or attain a total combination and 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 2½%, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service.

Act 5 of 2017 ("Act 5") introduced a hybrid benefit 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"). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between 1% to 2½%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested, and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2½%, depending upon the membership class, of the member's final average salary as defined in the Code multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members), or who has at least five years of credited service (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.

Member Contributions

Active members who joined the system prior to July 22, 1983 contributed at 5.25 percent (Membership Class T-C), or at 6.50 percent (Membership Class T-D) of the member's qualifying compensation.

GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 12 PENSION PLAN (cont'd)

Members who joined the system on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C), or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system after June 30, 2001 and before July 1, 2011 contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the system after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30 percent (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50 percent and 9.50 percent, and Membership Class T-F contribution rate to fluctuate between 10.30 percent and 12.30 percent.

Employer Contributions

The School's contractually required annual contribution is based on an actuarially determined amount that, when combined with the 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. For the year ended June 30, 2023, the rate of the employer contribution was 35.26 percent of covered payroll, which was comprised of 34.31 percent for pension contributions, 0.75 percent for healthcare contributions, and 0.20 percent for Act 5 defined contributions. The School's contribution to PSERS for pension contributions for the year ended June 30, 2023 was \$171,369.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2023, the School reported a liability of \$1,378,000 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 July 1, 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 0.0031%, which was the same as its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School recognized a pension expense of \$(9,671). At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 12 PENSION PLAN (cont'd)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 23,000
Changes in assumptions	41,000	-
Difference between actual and expected experience	1,000	12,000
Changes in proportion of the School's amount of the total pension liability	-	36,000
Difference between the School's contributions and proportionate share of total contributions	-	2,551
Contributions subsequent to the date of measurement	<u>171,369</u>	<u>-</u>
	<u>\$ 213,369</u>	<u>\$ 73,551</u>

Deferred outflows of resources resulting from the School's contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2024 were \$171,369. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2024	\$ (31,964)
2025	4,036
2026	(36,623)
2027	<u>33,000</u>
	<u>\$ (31,551)</u>

Actuarial Assumptions

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

- Actuarial cost method – entry-age normal, level percentage of pay
- Investment return – 7.00%, including inflation of 2.75%
- Salary growth – effective average of 4.50%, which reflects on allowance for inflation of 2.50% for real wage growth and 2.00% for merit or seniority increases
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 12 PENSION PLAN (cont'd)

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

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

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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	6.0%	3.5%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Cash	3.0%	0.5%
Leverage	(11.0%)	0.5%
	<u>100.0%</u>	

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

Discount Rate

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

GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 12 PENSION PLAN (cont'd)

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

The following presents the net pension liability, calculated using the current discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a current discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
School's proportionate share of the net pension liability	<u>\$ 1,783,000</u>	<u>\$ 1,378,000</u>	<u>\$ 1,037,000</u>

Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Annual Comprehensive Financial Report, which can be found on the system's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

NOTE 13 403(b) RETIREMENT PLAN

In addition to the PSERS plan, the School also provides a 403(b) retirement plan for full-time employees that do not participate in PSERS. Non-PSERS employees participate from the date of employment, with a mandatory minimum contribution of 5%. The School will match the employees' contributions dollar for dollar up to 5% of their compensation. School contributions to the plan for the year ended June 30, 2023 approximated \$91,182.

NOTE 14 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN

Health Insurance Premium Assistance Program

The School contributes to the Health Insurance Premium Assistance Program ("Premium Assistance"), which is a governmental cost sharing, multiple-employer other postemployment benefits plan ("OPEB") for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the health insurance account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive Premium Assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive Premium Assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 14 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Premium Assistance Eligibility Criteria

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

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

For Class DC members to become eligible for Premium Assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

OPEB Plan Description

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

Benefits Provided

Participating eligible retirees are entitled to receive Premium Assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive Premium Assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. Benefit terms may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval.

Employer Contributions

The School's contractually required annual contribution is based on an actuarially determined amount that, when combined with the 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. For the year ended June 30, 2023, the rate of the employer contributions was 0.75% of covered payroll. The School's health insurance assistance contribution to PSERS for the year ended June 30, 2023 was \$3,746.

GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 14 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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

At June 30, 2023, the School reported a liability of \$57,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the system's total OPEB liability as of June 30, 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 0.0031%, which was the same as its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School recognized an OPEB credit of \$(4,179). At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 6,000	\$ 13,000
Changes in proportions	-	11,000
Net difference between expected and actual experience	1,000	-
Difference between employer contributions and proportionate share of total contributions	-	664
Contributions subsequent to the measurement date	<u>3,746</u>	<u>-</u>
	<u>\$ 10,746</u>	<u>\$ 24,664</u>

Change in Assumptions: The discount rate used to measure the total OPEB liability increased to 4.09% as of June 30, 2022 from 2.18% as of June 30, 2021.

An amount of \$3,746 is reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred inflows and deferred outflows of resources related to OPEB will be recognized in the OPEB expense as follows:



GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 14 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Year Ended June 30,

2024	\$	(6,179)
2025		(4,179)
2026		(4,178)
2027		(2,064)
2028		(1,064)
		<u>(17,664)</u>
	\$	<u>(17,664)</u>

Actuarial Assumptions

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

- Actuarial cost method – entry age normal, level percentage of pay
- Investment return – 4.09%, S&P 20-year Municipal Bond Rate
- Salary growth – effective average of 4.50%, comprised of inflation of 2.50%, and 2.00% for real wage growth and for merit or seniority increases
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in Premium Assistance per year.
- Mortality rates were based on 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.
- Participation rate:
  - Eligible retirees will elect to participate pre-age 65 at 50%.
  - Eligible retirees will elect to participate post-age 65 at 70%.

The following assumptions were used to determine the contribution rate:

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

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.

GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 14 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real 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.

Discount Rate

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

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, retirees' Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year, and 582 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 14 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

The following presents the system's net OPEB liability for June 30, 2022, calculated using current healthcare cost trends, as well as what the system's net OPEB liability would be if its healthcare cost trends were one percentage point lower or one percentage point higher than the current rate:

	1% Decrease <u>3.09%</u>	Current Discount Rate <u>4.09%</u>	1% Increase <u>5.09%</u>
School's proportionate share of the net OPEB liability	\$ 57,000	\$ 57,000	\$ 57,000

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

The following presents the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.09%) or one percentage-point higher (5.09%) than the current rate:

	1% Decrease <u>3.09%</u>	Current Trend Rate <u>4.09%</u>	1% Increase <u>5.09%</u>
School's proportionate share of the net OPEB liability	\$ 65,000	\$ 57,000	\$ 51,000

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in the PSERS Annual Comprehensive Financial Report, which can be found on the system's website at [www.psers.pa.gov](http://www.psers.pa.gov).

NOTE 15 RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for such risks. There has been no significant reduction in insurance coverage of the School's policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past year.

GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 16 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following general fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2023:

Support services	\$	391,224
Noninstructional services	\$	23,194
Capital outlay	\$	188,001

The excess of expenditures over appropriations in instruction and non-instructional services was financed by current year expenditures under budget in other areas and existing fund balance.

The excess of expenditures over appropriations in capital outlay is due to the inclusion of \$129,900 in expenditures related to right to use assets that were added in 2023 in accordance with GASB Statement No. 87. These expenditures are offset by the \$129,900 positive variance in proceeds from leases.

NOTE 17 RELATED PARTY TRANSACTIONS

The School leases property from the Foundation Fund which is located at 1401 and 1414 East Cedar Street in Allentown, Pennsylvania. The lease is month-to-month, and rent under the lease for the year ended June 30, 2023 was \$950.

NOTE 18 DEFICIT FUND BALANCE

For governmental activities the unrestricted net deficit amounts of \$751,800 includes the effect of the deferring the recognition of pension contributions made subsequent to the measurement date of the net pension liability, the unamortized portion of contributions made in excess of the School's share of its proportionate contributions to its pension plan, and the deferred outflows resulting from the change in the School's share of the net pension liability. This is offset by the School's actuarially determined pension liability and the deferred inflows resulting from the differences between projected and actual investment earnings.

For the Foundation Fund, the unrestricted deficit fund balance amount of \$3,514 resulted from the effect of paying off debt and acquiring assets before resources were available to offset these expenditures. The deficit will be eliminated in subsequent periods once resources are available.

GILLINGHAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 19 CHANGE IN REPORTING ENTITY

During the current year, a reassessment was done regarding the School's relationship with Gillingham Charter School Foundation and it was concluded that it should be presented as a blended component unit in the School's financial statements as opposed to the previous discrete presentation. As a result, the School has restated its July 1, 2022 governmental activities net position and governmental funds fund balance by \$172,304 and \$(2,018), respectively.

NOTE 20 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through December 20, 2024, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**GILLINGHAM CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Pennsylvania Public School Employees' Retirement System (PSERS)**

	MEASUREMENT DATE									
	JUNE 30, 2022	JUNE 30, 2021	JUNE 30, 2020	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015	JUNE 30, 2014	JUNE 30, 2013
School's proportion of the net pension liability	0.0031%	0.0031%	0.0031%	0.0034%	0.0040%	0.0042%	0.0046%	0.0063%	0.0091%	0.0082%
School's proportion of the net pension liability - dollar value	\$ 1,378,000	\$ 1,273,000	\$ 1,526,000	\$ 1,591,000	\$ 1,920,000	\$ 2,074,000	\$ 2,280,000	\$ 2,729,000	\$ 3,602,000	\$ 3,357,000
School's covered employee payroll	\$ 436,359	\$ 436,360	\$ 439,470	\$ 471,580	\$ 538,589	\$ 552,567	\$ 593,198	\$ 816,501	\$ 1,159,407	\$ 1,048,046
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	315.80%	291.73%	347.24%	337.38%	356.49%	375.34%	384.36%	334.23%	310.68%	320.31%
Plan fiduciary net position as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

Note: The above information is presented as of the Plan's measurement date.

**GILLINGHAM CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS  
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>JUNE 30, 2023</u>	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>
Contractually required contribution	\$ 171,369	\$ 146,224	\$ 152,254	\$ 149,281	\$ 167,803	\$ 154,742	\$ 145,995	\$ 157,269
Contributions in relation to the contractually required contribution	<u>171,369</u>	<u>146,224</u>	<u>152,254</u>	<u>149,281</u>	<u>167,803</u>	<u>154,742</u>	<u>145,995</u>	<u>157,269</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 499,472	\$ 436,359	\$ 439,532	\$ 471,513	\$ 538,521	\$ 552,650	\$ 593,234	\$ 816,558
Contributions as a percentage of covered employee payroll	34.31%	33.51%	34.64%	31.66%	31.16%	28.00%	24.61%	19.26%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.



**GILLINGHAM CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
Pennsylvania Public School Employees' Retirement System (PSERS)**

	MEASUREMENT DATE						
	JUNE 30, 2022	JUNE 30, 2021	JUNE 30, 2020	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016
School's proportion of the net OPEB liability	0.0031%	0.0031%	0.0031%	0.0034%	0.0040%	0.0042%	0.0046%
School's proportion of the net OPEB liability - dollar value	\$ 57,000	\$ 74,000	\$ 67,000	\$ 72,000	\$ 83,000	\$ 86,000	\$ 99,000
School's covered employee payroll	\$ 436,359	\$ 436,360	\$ 439,470	\$ 471,580	\$ 538,589	\$ 552,567	\$ 593,198
School's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	13.06%	16.96%	15.25%	15.27%	15.41%	15.56%	16.69%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

Note: The above information is presented as of the Plan's measurement date.

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**GILLINGHAM CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS  
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>JUNE 30, 2023</u>	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>
Contractually required contribution	\$ 3,746	\$ 3,578	\$ 3,834	\$ 3,801	\$ 4,388
Contributions in relation to the contractually required contribution	<u>3,746</u>	<u>3,578</u>	<u>3,834</u>	<u>3,801</u>	<u>4,388</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 499,472	\$ 436,359	\$ 440,709	\$ 469,259	\$ 541,728
Contributions as a percentage of covered employee payroll	0.75%	0.82%	0.87%	0.81%	0.81%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.



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

December 20, 2024

To the Board of Trustees  
Gillingham Charter School  
Pottsville, 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 and the major funds of Gillingham Charter School ("the School"), Pottsville, Pennsylvania, 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, and have issued our report thereon dated December 20, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") as a basis for designing 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School'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.

To the Board of Trustees  
Gillingham Charter School

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 were not identified.

#### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP