



***21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL***

**FINANCIAL AND COMPLIANCE REPORT**

**Year Ended June 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees  
21<sup>st</sup> Century Cyber Charter School  
West Chester, Pennsylvania**

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of 21st Century Cyber Charter School, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise 21st Century Cyber Charter 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 and each major fund of 21st Century Cyber Charter School, as of June 30, 2023, and the respective changes in financial position 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 and the standards applicable to the 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 Standards section of our report. We are required to be independent of 21st Century Cyber 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.

#### Change in Accounting Principle

As described in Note 1 to the financial statements, effective July 1, 2022, 21st Century Cyber Charter School adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

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 21st Century Cyber 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 21st Century Cyber 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 21st Century Cyber 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, budgetary comparison schedule, and pension and other postemployment benefit information on pages 64 through 68 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 12, 2023, on our consideration of 21st Century Cyber 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 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 21st Century Cyber Charter School's 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 21st Century Cyber Charter School's internal control over financial reporting and compliance.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
December 12, 2023**



MANAGEMENT'S DISCUSSION AND ANALYSIS  
Required Supplementary Information  
June 30, 2023

The discussion and analysis of 21st Century Cyber Charter School's (Charter School) financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the Charter School's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June 1999.

#### FINANCIAL HIGHLIGHTS

The 21st Century Cyber Charter School's financial results for the 2022-2023 school year resulted in a total net position of \$7,668,936 and a Governmental Fund balance of \$23,801,412 at June 30, 2023. The June 30, 2022 net position was \$7,500,202 and the fund balance was \$18,581,333.

Governmental activities total assets at June 30, 2023 were \$35,709,252 compared to the June 30, 2022 balance of \$35,007,261 (restated for the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*).

The primary source of revenue for the Charter School is tuition charged to school districts at rates determined by the completion of the Pennsylvania Department of Education form PDE-363. The Charter School saw a reduction in enrollment of 335 students from the prior year ended June 30, 2022 which topped at 2,097 as compared to 1762 at the year ended June 30, 2023.

During the year ended June 30, 2023, the Charter School adopted new accounting guidance GASB Statement No. 96 retroactive to July 1, 2022. GASB Statement No. 96 was issued to (1) define subscription-based information technology arrangements (SBITAs); (2) establish that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA. As a result of this standard implementation, right-to-use assets were increased \$153,875 with an offsetting long-term liability of the same amount. There was no change to beginning net position or fund balance.

## OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts: (1) management’s discussion and analysis, (2) the basic financial statements, and (3) required supplementary information. The basic financial statements include two kinds of statements that present different views of the School.

This Management’s Discussion and Analysis is intended to serve as an introduction to the School's basic financial statements. Government-Wide Financial Statements include a Statement of Net Position and Statement of Activities which are designed to provide readers with a short-term and long-term overview of the School's finances. The remaining Fund Financial Statements focus on a more detailed presentation of operations in the short-term. In particular, fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

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

Figure 1 shows how the required parts of the financial statements are arranged and relate to one another.

**Figure 1**  
**Required Components of 21st Century Cyber Charter School’s Financial Report**

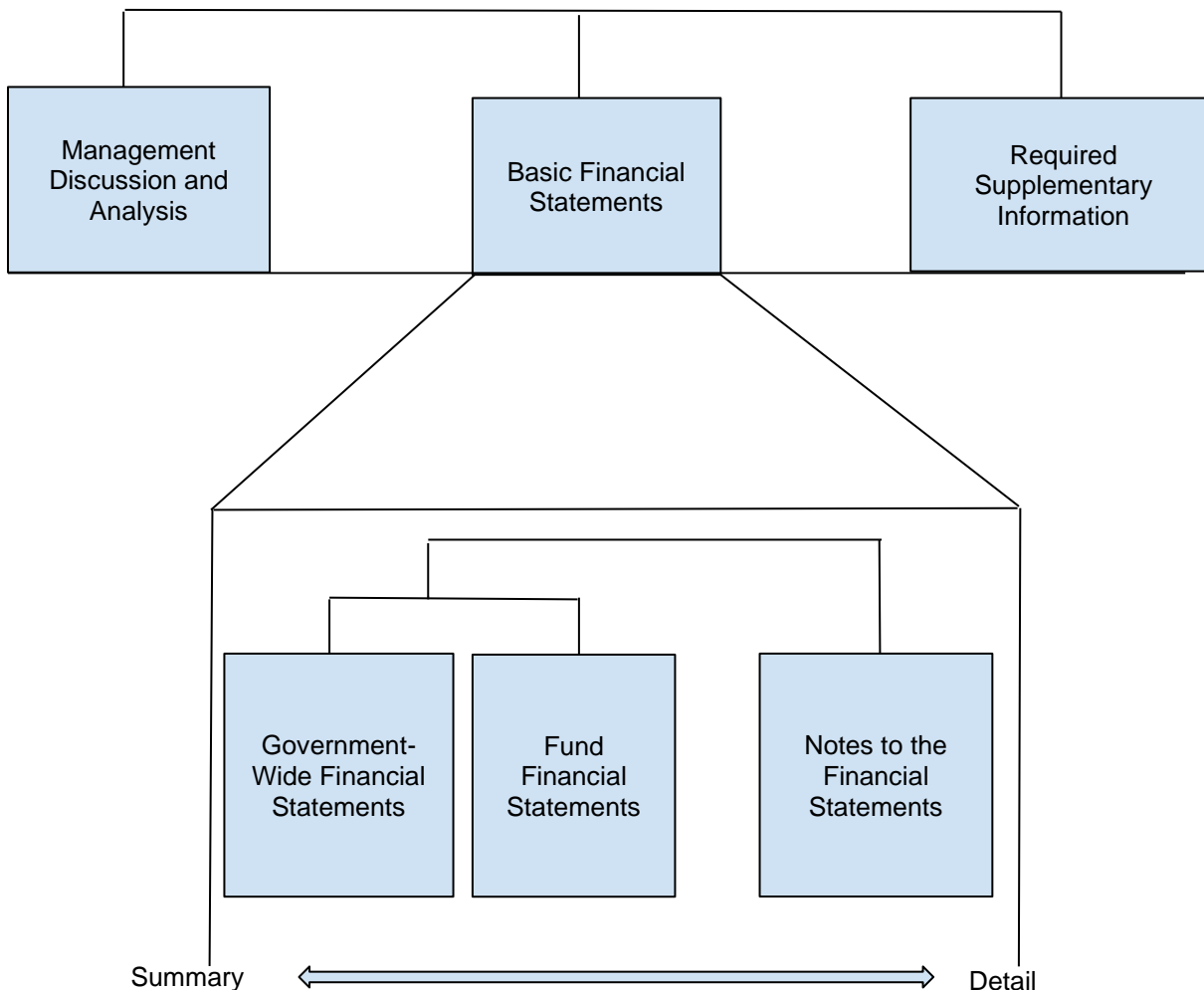


Figure 2 summarizes the major features of the Charter School’s financial statements. The remainder of this overview section of Management’s Discussion and Analysis highlights the structure and contents of each of the statements.

**Figure 2**  
**21st Century Cyber Charter School's**  
**Government-wide and Fund Financial Statements**

		<b>Fund Statements</b>
	<b>Government-Wide Statements</b>	<b>Governmental Funds</b>
Scope	Entire 21st Century Cyber Charter School (except fiduciary funds)	The activities of the Charter School that are not proprietary or fiduciary, such as education, administration and community services
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, current and noncurrent, and deferred inflows and outflows of resources	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or noncurrent liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

## Government-Wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies, referred to as the accrual basis of accounting.

The Statement of Net Position presents all of the School's assets and liabilities, deferred inflows and outflows of resources with the difference reported as "net position." Over time, increases and decreases in net position measure whether the School's financial condition is improving or deteriorating.

The Statement of Activities presents information showing how the School's net position changed during the year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some events that will result in cash flows in future periods.

The School currently only has governmental activities reported on these statements.

- Governmental activities - contain the basic services of the School, such as regular and special education and operation and maintenance of plant services, as well as the tuition revenue and federal and state grants which generally finance these programs.

## Fund Financial Statements

The fund financial statements provide more detailed information about the Charter School's funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to keep track of specific sources of funding and spending for programs. The Charter School has no non-major governmental, proprietary, or fiduciary funds and reports all activity in a single governmental fund.

Governmental Funds - Includes the Charter School's basic services and generally (1) focuses on how cash and other financial assets can readily be converted into cash inflows and outflows and (2) identifies balances left at year-end that are available for spending. Financial results are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets. The governmental fund statements provide a detailed short-term view of the Charter School's operations and the services provided. Governmental fund information helps the reader determine the level of financial resources that can be spent in the near future to finance the Charter 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.

FINANCIAL ANALYSIS OF THE 21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL AS A WHOLE

The Charter School’s total net position was \$7,668,936 as of June 30, 2023.

**Figure 3**  
**Condensed Statement of Net Position**  
**June 30**

	Governmental Activities 2022 (Restated)	2023
Current and other assets	\$ 21,522,653	\$ 26,153,795
Capital assets	13,484,608	9,555,457
Total Assets	<u>35,007,261</u>	<u>35,709,252</u>
Deferred Outflows of Resources	9,873,943	6,885,629
Current and other liabilities	2,644,917	2,253,334
Long-term liabilities	29,884,823	30,453,432
Total Liabilities	<u>32,529,740</u>	<u>32,706,766</u>
Deferred Inflows of Resources	4,851,262	2,219,179
Net investment in capital assets	12,544,498	8,901,440
Unrestricted	<u>(5,044,296)</u>	<u>(1,232,504)</u>
Total Net Position	<u>\$ 7,500,202</u>	<u>\$ 7,668,936</u>

Current assets at June 30, 2023 included cash of \$24,271,308, intergovernmental and other receivables of \$1,867,269, and prepaid expenses of \$15,218.

Total liabilities increased slightly by \$177,026 in 2022-2023. Accounts payable balances were \$189,677 lower as compared to the prior year balance of \$760,671. This decrease was attributed to refunds due to school districts at year-end. Accrued salaries and benefits decreased from \$1,571,862 at June 30, 2022 to \$1,448,448 at June 30, 2023, as a result of decreased staff due to decreased enrollment.

The compensated absences accrual, which reflects the value of unused vacation time, decreased from \$409,304 to \$334,576 (which reflects the long-term portion) as of June 30, 2023.

The total ending net other postemployment benefit liabilities are \$1,693,422 at the year ended June 30, 2023, a decrease from the balance of \$2,257,502 at the year ended June 30, 2022. The largest increase in liabilities was the Charter School’s proportionate share of the net pension liability, which increased \$1,401,000 from the prior year totaling \$27,965,000 as of June 30, 2023.

The results of this year's operations as a whole are reported in the Statement of Activities and summarized below in Figure 4.

**Figure 4**  
**Condensed Statement of Activities**  
**June 30**

	Governmental Activities	
	2022	2023
<b>Revenues</b>		
Program Revenues:		
Charges for services	\$ 25,882,715	\$ 21,787,049
Operating grants and contributions	480,569	374,252
Investment earnings	9,443	424,181
	<u>26,372,727</u>	<u>22,585,482</u>
<b>Total Revenues</b>	26,372,727	22,585,482
<b>Expenses</b>		
Instruction	14,578,666	10,352,125
Support services	10,550,785	10,552,254
Non instructional services and interest on long-term debt	220,374	99,210
	<u>25,349,825</u>	<u>21,003,589</u>
<b>Total Expenses</b>	25,349,825	21,003,589
<b>Special Item</b> - Loss on sale of building	-	(1,413,159)
Increase in Net Position	1,022,902	168,734
Beginning Net Position	<u>6,477,300</u>	<u>7,500,202</u>
Ending Net Position	<u>\$ 7,500,202</u>	<u>\$ 7,668,936</u>

Decreased enrollment in the Charter School generated a reduction in tuition revenue of \$4,095,666 in 2022-2023 compared to the prior school year. The special item for loss on sale of building relates to the sale of a building previously occupied by the Charter School.

Figure 5 shows each activity’s net cost (total cost less fees generated by the activities and grants/subsidies provided for specific programs).

**Figure 5**  
**Net Cost of Governmental Activities**  
**June 30**

	Total Cost of Services		Net Cost of (Revenue from) Services	
	2022	2023	2022	2023
Instruction	\$ 14,578,666	\$ 10,352,125	\$ 223,906	\$ 712,815
Support Services	10,550,785	10,552,254	919,507	472,284
Non Instructional Services and interest	<u>220,374</u>	<u>99,210</u>	<u>(129,954)</u>	<u>(27,387)</u>
	<u>\$ 25,349,825</u>	<u>\$ 21,003,589</u>	<u>\$ 1,013,459</u>	<u>\$ 1,157,712</u>

**BUDGET HIGHLIGHTS**

During the fiscal year, the Board authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the 21<sup>st</sup> Century Cyber Charter School. A schedule showing the Charter School’s original and final budget amounts compared with amounts actually paid and received is provided in the financial statements.

Revenue received for the year was approximately 11.98% less than budgeted. The difference between budget and actual is largely due to lower enrollment during the year compared to what was budgeted for in the 2022-23 school year.

Total expenditures were approximately 24.91% lower than budget for the year. Expenditures for 2022-23 were budgeted at \$27,049,500 and actual expenditures as June 30, 2023 were \$19,239,792 a difference of \$7,809,708. Expenditures were lower than the budget due to decreased staffing due to program needs or recruiting challenges along with a reduction in related expenditures due to enrollment decreases.

Summary of reductions when comparing budget to actual include:

Salaries and Benefits	\$ 5,253,416
Lease for computers - Technology	800,000
Professional Services - Special Education	689,358
Tuition - Special Education Placements	411,996
Phone/Postage/Internet	171,504
Repairs & Maintenance - Facilities	162,119
Settlements & Claims - Board/Special Education	152,505
Tuition - Career and Technical	53,709
Reduction in Costs - Testing Sites	31,483

Total expenditures at the fund level in 2022-2023 were \$6.13 million lower than in 2021-2022.

CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets**

As of June 30, 2023, the Charter School had \$9,555,457 invested in building improvements, furniture and computer equipment and right-to-use assets, net of depreciation and amortization. The decrease from the prior year is largely the result of the sale of a building.

**Figure 6**  
**Capital Assets (net of depreciation and amortization)**  
**June 30**

	Governmental Activities	
	2022	2023
	(Restated)	
Construction in Progress	\$ -	\$ -
Building Improvements	11,639,878	7,941,188
Furniture & Computer Equipment	940,286	995,630
Right-to-use assets	904,444	618,639
Total	<u>\$ 13,484,608</u>	<u>\$ 9,555,457</u>

**Debt Administration**

The Charter School has entered into lease agreements for building space and various technology equipment including copiers. The leases have various termination dates through April 2027. These leases include monthly payments of principal and interest at rates ranging from 3.25% - 3.37%. Lease payable at June 30, 2023 was \$624,827.

The Charter School has entered into various agreements for subscription-based information technology arrangements with termination dates through September 2025. Subscription liabilities total \$29,190 at June 30, 2023.

See notes to the financial statements for more information on capital assets and debt administration.

**ECONOMIC FACTORS AND THE CHARTER SCHOOL’S FUTURE**

A charter renewal for 2024-2025 through 2028-2029 was submitted for approval on September 29, 2023 to the Pennsylvania Department of Education.

The Pennsylvania School Employees Retirement System (PSERS) retirement rate history table is below. These rates were determined by PSERS’ actuary and are subject to certification by the PSERS Board of Trustees.

<b>Year</b>	<b>Rate</b>
<b><i>2021-2022</i></b>	<b><i>34.94%</i></b>
<b><i>2022-2023</i></b>	<b><i>35.26%</i></b>
<b><i>2023-2024</i></b>	<b><i>34.00%</i></b>

Ongoing conversations continue among legislators regarding a charter school reform bill. Any change in the funding formula would likely be a part of that legislation. To date, no legislation has been passed regarding cyber charter school reform. The Board of Trustees has approved a program stabilization fund to provide financial assistance to the Charter School, if needed, should there be changes to the formula.

**CONTACTING THE 21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the Charter School’s finances and to show accountability for the money received. If you have questions about this report or wish to request additional financial information, please contact the Open Records Officer, 21st Century Cyber Charter School, 1245 Wrights Lane, West Chester, PA 19380, 484-875-5400.

**21<sup>ST</sup> CENTURY CYBER CHARTER SCHOOL**

**STATEMENT OF NET POSITION**

**June 30, 2023**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 24,271,308
Intergovernmental receivables	1,867,269
Prepaid expenses	15,218
Capital assets:	
Capital assets, net of accumulated depreciation	8,936,818
Right-to-use assets, net of accumulated amortization	<u>618,639</u>
<b>TOTAL ASSETS</b>	<u>35,709,252</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources for pension	6,288,658
Deferred outflows of resources for other postemployment benefits	<u>596,971</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>6,885,629</u>
<b>LIABILITIES</b>	
Accounts payable	570,994
Accrued interest	3,119
Accrued salaries and benefits	1,448,448
Unearned revenues	37,190
Noncurrent liabilities, due within one year	193,583
Noncurrent liabilities:	
Noncurrent lease liabilities	454,251
Noncurrent subscription liabilities	6,183
Long-term portion of compensated absences	334,576
Net pension liability	27,965,000
Net other postemployment benefit liabilities	<u>1,693,422</u>
<b>TOTAL LIABILITIES</b>	<u>32,706,766</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources for pension	1,338,000
Deferred inflows of resources for other postemployment benefits	<u>881,179</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>2,219,179</u>
<b>NET POSITION</b>	
Net investment in capital assets	8,901,440
Unrestricted (deficit)	<u>(1,232,504)</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 7,668,936</u></u>

See accompanying notes.

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenue		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental Activities</b>				
Instruction	\$ 10,352,125	\$ 10,756,821	\$ 308,119	\$ 712,815
Instructional student support	3,620,423	3,651,488	64,947	96,012
Administrative and financial support services	5,894,419	6,378,438	1,186	485,205
Operation and maintenance of plant services	1,016,416	928,479	-	(87,937)
Pupil transportation	20,996	-	-	(20,996)
Student activities	69,829	71,823	-	1,994
Community services	2,555	-	-	(2,555)
Interest on long-term debt	26,826	-	-	(26,826)
<b>Total Governmental Activities</b>	<u>\$ 21,003,589</u>	<u>\$ 21,787,049</u>	<u>\$ 374,252</u>	1,157,712
<b>General Revenues</b>				
Investment earnings				424,181
<b>Special Item</b>				
Loss on sale of building				<u>(1,413,159)</u>
<b>Total General Revenues and Special Item</b>				<u>(988,978)</u>
<b>Change in Net Position</b>				168,734
<b>Net Position - Beginning of Year</b>				<u>7,500,202</u>
<b>Net Position - End of Year</b>				<u>\$ 7,668,936</u>

See accompanying notes.

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**BALANCE SHEET - GOVERNMENTAL FUND**

**June 30, 2023**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 24,271,308
Intergovernmental receivables	1,867,269
Accounts receivable	377,336
Prepaid expenditures	<u>15,218</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 26,531,131</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 570,994
Accrued salaries and benefits	1,448,448
Unearned revenues	<u>37,190</u>
<b>TOTAL LIABILITIES</b>	<b>2,056,632</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - tuition	295,751
Unavailable revenue - other fees	<u>377,336</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>673,087</b>
<b>FUND BALANCE</b>	
Nonspendable	15,218
Committed	13,781,422
Assigned	922,673
Unassigned	<u>9,082,099</u>
<b>TOTAL FUND BALANCE</b>	<b><u>23,801,412</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b><u>\$ 26,531,131</u></b>

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION**

**June 30, 2023**

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

<b>TOTAL FUND BALANCE - GOVERNMENTAL FUND</b>		\$ 23,801,412
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$13,447,973 and the accumulated depreciation and amortization is \$3,892,516.		9,555,457
Tuition receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds. Accounts receivables not collected soon enough to pay for the current period's expenditures are reported as unavailable revenue in the funds and fully reserved on the government-wide financial statements.		295,751
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Lease liability	(624,827)	
Accrued interest	(3,119)	
Subscription liability	(29,190)	
Long-term portion of compensated absences	<u>(334,576)</u>	(991,712)
The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.		(23,014,342)
The net other postemployment benefit liabilities and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements.		<u>(1,977,630)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>		<u><u>\$ 7,668,936</u></u>

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND**

**For the Year Ended June 30, 2023**

	<u>General Fund</u>
<b>REVENUES</b>	
Local sources	\$ 22,782,554
State sources	90,693
Federal sources	<u>1,186</u>
	<b>TOTAL REVENUES</b>
	22,874,433
<b>EXPENDITURES</b>	
Current:	
Instructional services	9,310,836
Support services	9,554,466
Operation of noninstructional services	62,484
Debt service:	
Principal	286,093
Interest	<u>25,913</u>
	<b>TOTAL EXPENDITURES</b>
	<u>19,239,792</u>
	<b>NET CHANGE IN FUND BALANCE BEFORE SPECIAL ITEM</b>
	3,634,641
<b>SPECIAL ITEM</b>	
Proceeds from the sale of building	<u>1,585,438</u>
	<b>NET CHANGE IN FUND BALANCE</b>
	5,220,079
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>18,581,333</u>
	<b>FUND BALANCE - END OF YEAR</b>
	<u><u>\$ 23,801,412</u></u>

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2023**

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

**NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND** \$ 5,220,079

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$ 274,951	
Less: depreciation and amortization expense	(1,205,505)	
Less: loss on disposals	<u>(2,998,597)</u>	(3,929,151)

Because some revenue will not be collected for several months after the Charter School's year end, they are not considered as "available" revenues in the governmental funds. This entry also records an allowance for uncollectible receivables. (288,951)

Issuance of long-term debt (e.g. notes) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Repayment of lease principal	161,408	
Repayment of subscription liability	<u>124,685</u>	286,093

Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. (913)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. The difference in the amount incurred and amount paid of these activities is:

Compensated absences	74,728	
Net pension liability and related deferred outflows and inflows	(994,757)	
Net OPEB liability and related deferred outflows and inflows	<u>(198,394)</u>	<u>(1,118,423)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 168,734

## 21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

The 21<sup>st</sup> Century Cyber Charter School (the “Charter School”) was originally chartered through West Chester Area School District. The Charter School was established in April 2001 and began operations in July 2001. Effective July 1, 2006, the Charter School became chartered directly through the Pennsylvania Department of Education. The current charter expires June 30, 2024.

The Charter School is located in West Chester, Pennsylvania, and was established to provide services to students located in Pennsylvania. The Charter School is governed by a board consisting of no less than 7 trustees. The trustees shall include employees of a Pennsylvania Intermediate Unit, active Pennsylvania public school administrators, retired Pennsylvania public school educators, employees of a Pennsylvania Institute of higher education, one or more parents of a child currently enrolled in or who has been enrolled in 21<sup>st</sup> Century Cyber Charter School within 3 years of the time of becoming a Board of Trustees member, and at least one business or government leader from Pennsylvania.

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The financial statements of 21st Century Cyber Charter School have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting principles are as follows:

##### A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Charter School and its component units.

The Charter School used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, fiduciary activities, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine, through the exercise of management’s professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity’s financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity’s financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

Based on the foregoing criteria, the Charter School has determined it has no component units.

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**B. Basis of Presentation - Government-Wide Financial Statements**

Government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting entity, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. The government-wide statements include separate columns for the governmental and business-type activities of the primary government, as well as any discretely presented component units. Governmental activities, which normally are supported by intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable. The Charter School presently only has governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function to the Charter School are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include 1) charges to customers or others who purchase, use or directly benefit from services or goods provided by a given function, or 2) grants and contributions that are restricted to meet the operational or capital requirements of a function. Other items properly not included in program revenues are reported as general revenues.

**C. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Fiduciary funds are reported by fund type.

**The Charter School Reports the Following Major Governmental Fund:**

**General Fund:** The general fund is the general operating fund of the Charter School. It is used to account for all financial resources. All activities of the Charter School are accounted for through this fund.

The Charter School does not currently have any enterprise or fiduciary funds.

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide 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.

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 Charter School considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source. If time eligibility requirements are not met, deferred inflows of resources would be recorded. All other revenue items are considered to be measurable and available only when cash is received by the Charter School.

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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases and other right-to-use assets are reported as other financing sources.

**E. Budgetary Information**

**1. Budgetary Basis of Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations, except unexpended grant appropriations and encumbrances, lapse at fiscal year end. The Charter School's 2022-2023 budget was prepared and approved by the board of trustees prior to submitting the budget to the Pennsylvania Department of Education.

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**F. Financial Position**

**1. Investments**

Investments are stated at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participant*.

The Charter School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of net position.

**2. Receivables**

The intergovernmental receivables are amounts due from local school districts and the Pennsylvania Department of Education (PDE). Accounts receivable represents amounts due for equipment that has been damaged or was not returned. Management evaluates the collectible nature of outstanding receivables and records an allowance if needed.

**3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The costs of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

**4. Capital Assets, Depreciation, and Amortization**

The Charter School's capital assets with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are valued at the estimated acquisition value of the item at the date of donation. Right-to-use assets are reported when a qualifying lease or subscription liability is incurred.

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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F. Financial Position - continued

4. Capital Assets, Depreciation, and Amortization - continued

The Charter School generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. Construction in progress is stated at cost and consists primarily of costs incurred on construction projects. No provision for depreciation is made on construction in progress until the assets are complete and placed into service. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. If within the control of management and unusual in nature or infrequent in occurrence, the loss is reflected as a special item.

Estimated useful lives for depreciable and amortizable assets are as follows:

Assets	Years
Building and building improvements	7 - 50
Furniture and computer equipment	5 - 20
Right-to-use lease assets	5 - 6
Right-to-use subscription assets	2 - 3

5. Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The Charter School periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the Charter School's long-lived assets were considered to be impaired as of June 30, 2023.

6. Unearned Revenues

Revenues that are received but not earned are reported as unearned revenues in the government-wide, governmental, and proprietary fund financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Charter School has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**F. Financial Position - continued**

**7. Compensated Absences**

Charter School policies permit employees to accumulate earned but unused vacation, personal, and sick days based on employment agreements. Payments for vacation, sick pay, and personal leave are expensed as paid in the governmental fund statements. Accumulated vacation, personal, and sick leave that is expected to be liquidated with expendable available financial resources and that has matured is reported as an expenditure and a fund liability in the governmental fund that will pay it. Accumulated vacation, personal, or sick leave that is not expected to be liquidated with expendable available financial resources and that has not matured is reported as a long-term liability in the proprietary funds and the government-wide financial statements and is expensed as incurred.

**8. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activity column in the statement of net position.

In the fund financial statements, governmental fund types recognize the face amount of debt issued or incurred and any original issue discounts or premiums are reported as other financing sources and uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. Leases and Subscription-Based Information Technology Arrangements**

21st Century Cyber Charter School is a lessee for noncancellable leases of equipment and building space and subscription-based information technology arrangements (SBITA). The Charter School recognizes a lease or subscription liability and an intangible right-to-use asset (lease or subscription asset) in the government-wide financial statements.

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

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**F. Financial Position - continued**

**9. Leases and Subscription-Based Information Technology Arrangements - continued**

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

- The Charter School uses the interest rate charged under the agreement as the discount rate. When the interest rate charged by the lessor is not provided, the Charter School generally uses its estimated incremental borrowing rate as the discount rate.
- The term includes the noncancellable period of the agreement. Also included within the term are any qualifying renewals or early termination options that the Charter School is reasonably certain to exercise or not exercise. Payments included in the measurement of the liability are composed of fixed payments and purchase option price that the Charter School is reasonably certain to exercise.

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

Lease and subscription assets are reported as right-to-use assets with capital assets and related liabilities are reported with noncurrent liabilities on the statement of net position.

**10. Pension**

The Charter School contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The Charter School accounts for the plan under the provisions of GASB Statement No. 68, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, deferred outflows and deferred inflows of resources related to pension, certain required supplementary information, and note disclosures.

For the purpose of measuring net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension 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.

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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F. Financial Position - continued

11. Other Postemployment Benefits (OPEB)

The Charter School's other postemployment benefit plans are accounted for under the provisions of GASB Statement No. 75, which establishes standards for the measurement, recognition, and display of other postemployment benefit expense and related liabilities, deferred outflows and deferred inflows of resources related to other postemployment benefits, certain required supplementary information, and note disclosures. The Charter School provides OPEB under the following two plans:

PSERS OPEB Plan

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' 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.

Charter School OPEB Plan

The Charter School sponsors a single-employer defined benefit OPEB plan. For purposes of measuring the total 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 OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The Charter School OPEB plan is unfunded.

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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F. Financial Position - continued

**12. Deferred Outflows/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 (expenses) until then. The Charter School has two items that qualify for reporting in this category:

*Deferred outflows of resources for pension* relate to the Charter School's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, or differences between employer contributions and the proportionate share of total contributions reported by the pension plan. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions made to the pension plan subsequent to the measurement date and prior to the Charter School's year end. The contributions will be recognized as a reduction in net pension liability in the following year.

*Deferred outflows of resources for other postemployment benefit liabilities* relate to the Charter School's liability for postemployment benefits other than pensions and related expenses and arise from the changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, or differences between employer contributions and the proportionate share of total contributions reported by the plan. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions or benefit payments made subsequent to the measurement date and prior to the Charter School's year end. These payments will be recognized as a reduction to the net other postemployment benefit liability in the following year.

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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F. Financial Position - continued

12. Deferred Outflows/Inflows of Resources - continued

In addition to liabilities, the statement of net position 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Charter School has three types of items that qualify for reporting in this category:

*Unavailable revenue* arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from tuition and other fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

*Deferred inflows of resources for pensions* relate to the Charter School's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, or differences between employer contributions and the proportionate share of total contributions reported by the pension plan. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

*Deferred inflows of resources for other postemployment benefit liabilities* relate to the Charter School's liability for postemployment benefits other than pensions and related expenses and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, or differences between employer contributions and the proportionate share of total contributions reported by the plan. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**F. Financial Position - continued**

**13. Net Position and Flow Assumptions**

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in the capital assets component of net position is comprised of capital assets, net of accumulated depreciation/amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall net investment in capital assets. If there are unspent related debt proceeds at year-end, the portion of debt attributed to the unspent bond proceeds is not included in the calculation of net investment in capital assets. The restricted component of net position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of net position is unrestricted.

The Charter School applies restricted resources first when an expense is incurred for purposes for which both the restricted and unrestricted components of net position are available.

**14. Fund Balance Policies and Flow Assumptions**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Charter School itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The nonspendable fund balance classification represents assets in nonspendable form and includes items such as prepaid expenditures and inventory.

The restricted fund balance classification represents funds that are limited in use due to constraints for a specific purpose through restrictions by external parties, grant agreements, or enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Charter School's highest level of decision-making authority. The board of trustees is the highest level of decision-making authority for the Charter School that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**F. Financial Position - continued**

**14. Fund Balance Policies and Flow Assumptions - continued**

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The director/CEO or designee may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The Charter School does not have a minimum fund balance policy.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The Charter School's policy states there are no restrictions placed on the order of the unrestricted fund balances used when an expenditure is incurred for a purpose in which unrestricted fund balance amounts are available under committed, assigned, or unassigned fund balance. The decision will be made at the discretion of the director/CEO.

**G. Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**H. Adoption of Accounting Standards**

During the year ended June 30, 2023, the Charter School adopted new accounting guidance GASB Statement No. 96 retroactive to July 1, 2022. GASB Statement No. 96 was issued to (1) define subscription-based information technology arrangements (SBITAs) (2) establish that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA. As a result of this standard implementation, right-to-use assets were increased \$153,875 with an offsetting long-term liability of the same amount. There was no change to beginning net position or fund balance.

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**I. Subsequent Event**

Subsequent to year end in October 2023, a memorandum of understanding was approved with the Education Association. The agreement includes a retroactive salary payment to be paid during the 2023/2024 school year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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**A. Compliance with Finance Related Legal and Contractual Provisions**

The Charter School had no material violations of finance related legal and contractual provisions.

**B. Deficit Fund Balance or Net Position of Individual Funds**

For the year ended June 30, 2023, no individual funds had a deficit fund balance or net position.

**NOTE 3 - CASH AND INVESTMENTS**

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Under Section 440.1 of the Public School Code of 1949, as amended, the Charter School is permitted to invest funds in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and for any amounts above the insured maximum, provided that approved collateral as provided by law, therefore, shall be pledged by the depository.

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

The deposit and investment policy of the Charter School adheres to state statutes. There were no deposits or investment transactions during the year that were in violation of either the state statutes or the policy of the Charter School.

The breakdown of total cash and investments on the financial statements are as follows at June 30, 2023:

Petty cash	\$ 182
Demand deposits	13,922,785
Pooled cash and investments	<u>10,348,341</u>
	<u>\$ 24,271,308</u>

**Deposits**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Charter School does not have a policy for custodial credit risk. As of June 30, 2023, the carrying amount of the Charter School's deposits was \$13,922,785 and the bank balance was \$13,969,188. Of the bank balance, \$250,000 was covered by federal depository insurance and \$13,719,188 of the Charter School's bank balance was exposed to custodial credit risk but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the General Assembly.

**Investments**

As of June 30, 2023, the Charter School had the following pooled cash and investments:

	<u>Maturities</u>	<u>Fair Value/ Carrying Value</u>
PA School District Liquid Asset Fund:		
MAX Account Balance		\$ 9,323,455
Full Flex Pool	< 1 year	<u>1,024,886</u>
Total Pooled Cash and Investments		<u>\$ 10,348,341</u>

Certain external investments held by the Charter School, based on portfolio maturity, quality, diversification, and liquidity measures qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The Charter School measures those investments, which include \$10,348,341 (PSDLAF) at amortized cost. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

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**Investments - continued**

A portion of the Charter School’s deposits were in the Pennsylvania School District Liquid Asset Fund. PSDLAF acts like a money market mutual fund in that the objective is to maintain a stable net asset value of \$1 per share, is rated by nationally recognized statistical rating organization, and is subject to an independent annual audit.

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals.

The PSDLAF Full Flex Pool, as part of the Fixed-Term Series at PSDLAF, are a fixed-term investment collateralized in accordance with Act 72 and invests in assets listed above as permitted under Section 440.1 of the Public School Code of 1949. The Fixed-Term Series are fixed-term investment vehicles with maturities depending upon the maturity date of each particular Fixed-Term Series. All investments in a Fixed-Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed-Term Series; however, participants in the full flex pool may remove funds without early withdrawal penalty. Whether a Fixed-Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed-Term Series are invested is registered in the name of that particular Fixed-Term Series.

As of June 30, 2023, the entire PSDLAF book balance of \$10,348,341 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

**Interest Rate Risk**

The Charter School does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment program is reviewed annually by the board of trustees.

**Credit Risk**

The Charter School has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2023, the Charter School’s investments were rated as:

<u>Investment</u>	<u>Standard &amp; Poor's</u>
Pennsylvania School District Liquid Asset Fund	AAAm

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2023**

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

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**Concentration of Credit Risk**

The Charter School places no limit on the amount the Charter School may invest in any one issuer. As of June 30, 2023, the Charter School did not have any investments subject to concentration of credit risk.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Charter School will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Charter School has no investments subject to custodial credit risk.

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES, ACCOUNTS RECEIVABLE, AND UNAVAILABLE REVENUE**

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The intergovernmental receivables are due from local school districts and the Pennsylvania Department of Education (PDE); therefore, management believes that they are fully collectible. Thus, no allowance has been deemed necessary or recorded in the accompanying financial statements. The intergovernmental receivables balance totals \$1,867,269 as of June 30, 2023.

Accounts receivable represents payments due for damaged or unreturned equipment from students totaling \$377,336. Management has determined that these receivables should be fully reserved in the government-wide financial statements.

The Charter School reports unavailable revenue of \$673,087 at June 30, 2023, consisting of \$295,751 of tuition revenue and \$377,336 of fees for damaged or unreturned equipment which were not collected within the availability period of 90 days after the fiscal year end.

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2023**

**NOTE 5 - CHANGES IN CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2023, were as follows:

	Beginning Balance (Restated)	Increase	Decrease	Ending Balance
<b>Governmental Activities</b>				
Capital assets being depreciated:				
Building and building improvements	\$ 13,862,089	\$ 18,812	\$ (3,654,104)	\$ 10,226,797
Furniture and computer equipment	2,108,836	256,139	(213,537)	2,151,438
Total assets being depreciated	<u>15,970,925</u>	<u>274,951</u>	<u>(3,867,641)</u>	<u>12,378,235</u>
Less accumulated depreciation for:				
Building and building improvements	2,222,211	721,137	(657,739)	2,285,609
Furniture and computer equipment	1,168,550	198,563	(211,305)	1,155,808
Total accumulated depreciation	<u>3,390,761</u>	<u>919,700</u>	<u>(869,044)</u>	<u>3,441,417</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	12,580,164	(644,749)	(2,998,597)	8,936,818
Right-to-use assets being amortized:				
Leased buildings	890,824	-	-	890,824
Leased equipment	25,039	-	-	25,039
Subscriptions	153,875	-	-	153,875
Total right-to-use assets being amortized	<u>1,069,738</u>	<u>-</u>	<u>-</u>	<u>1,069,738</u>
Less accumulated amortization for:				
Leased buildings	164,460	164,460	-	328,920
Leased equipment	834	5,008	-	5,842
Subscriptions	-	116,337	-	116,337
Total accumulated amortization	<u>165,294</u>	<u>285,805</u>	<u>-</u>	<u>451,099</u>
<b>TOTAL RIGHT-TO-USE ASSETS BEING AMORTIZED, NET</b>	904,444	(285,805)	-	618,639
<b>GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET</b>	<u>\$ 13,484,608</u>	<u>\$ (930,554)</u>	<u>\$ (2,998,597)</u>	<u>\$ 9,555,457</u>

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 5 - CHANGES IN CAPITAL ASSETS - CONTINUED

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Depreciation and amortization expense was charged to functions/programs of the governmental activities of the primary government as follows:

Instruction	\$ 459,407
Instructional student support	264,718
Administrative and financial support services	269,628
Operation and maintenance of plant services	208,716
Student activities	<u>3,036</u>
<b>TOTAL DEPRECIATION AND AMORTIZATION EXPENSE - GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 1,205,505</u></u></b>

During the year ended June 30, 2023, the Charter School sold a building which is reported as a special item. A loss on the building sale of \$1,413,159 is reported on the statement of activities and the proceeds from the sale of \$1,585,438 are reported in the general fund.

NOTE 6 - LONG-TERM LIABILITIES

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**Leases**

The Charter School has entered into lease agreements for building space and various technology equipment including copiers. The leases have various termination dates through April 2027. These leases include monthly payments of principal and interest at rates ranging from 3.25% - 3.37%.

Future lease maturities as of June 30 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 170,576	\$ 18,432	\$ 189,008
2025	180,137	12,543	192,680
2026	190,098	6,326	196,424
2027	<u>84,016</u>	<u>738</u>	<u>84,754</u>
	<b><u><u>\$ 624,827</u></u></b>	<b><u><u>\$ 38,039</u></u></b>	<b><u><u>\$ 662,866</u></u></b>

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2023**

**NOTE 6 - LONG-TERM LIABILITIES - CONTINUED**

**Subscriptions**

The Charter School has entered into various agreements for subscription-based information technology arrangements. The arrangements have various termination dates through September 2025. Interest rates are 5% and are paid annually based on the agreements.

The Charter School's subscription liabilities mature as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 23,007	\$ 1,493	\$ 24,500
2025	<u>6,183</u>	<u>316</u>	<u>6,499</u>
	<u>\$ 29,190</u>	<u>\$ 1,809</u>	<u>\$ 30,999</u>

Long-term liability balances and activity for the year ended June 30, 2023, are as follows:

	<u>Beginning Balance (Restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities</b>					
Lease liabilities	\$ 786,235	\$ -	\$ 161,408	\$ 624,827	\$ 170,576
Subscription liability	153,875	-	124,685	29,190	23,007
Compensated absences	409,304	-	74,728	334,576	-
Net pension liability	26,564,000	4,557,161	3,156,161	27,965,000	-
Net other postemployment benefit liabilities (OPEB)	<u>2,257,502</u>	<u>-</u>	<u>564,080</u>	<u>1,693,422</u>	<u>-</u>
Total governmental long-term liabilities	<u>\$ 30,170,916</u>	<u>\$ 4,557,161</u>	<u>\$ 4,081,062</u>	<u>\$ 30,647,015</u>	<u>\$ 193,583</u>

Total interest paid during the year ended June 30, 2023, was \$25,913. The lease, subscription, and compensated absence liabilities will be liquidated by the general fund. The net pension and PSERS OPEB Plan portion of the OPEB liability will be liquidated through future contributions to PSERS at the statutory rates; contributions will be made from the general fund. The Charter School OPEB Plan portion of the OPEB liability will be liquidated through future payments from the general fund.

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**NOTE 7 - EMPLOYEE RETIREMENT PLANS**

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**Employee Defined Benefit Pension Plan**

***General Information About the Pension Plan***

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania under Title 24, Part IV of the Pennsylvania General Assembly. 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).

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.

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). 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 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2023**

**NOTE 7 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

**Employee Defined Benefit Pension Plan - continued**

***General Information About the Pension Plan - continued***

Benefits Provided - continued

Participants are eligible for disability retirement benefits after completion of 5 years of credited service. Such benefits are generally equal to 2.0% or 2.5%, depending upon membership class, of the member’s final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least 1 year of credited service (age 65 with at least 3 years of credited service for Class T-E and Class T-F members) or who has at least 5 years of credited service (10 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

The contribution policy is set by state statute and requires contributions by active members and employers. The contribution rates based on qualified member compensation for virtually all members is presented below:

<b>Member Contribution Rates</b>				
<b>Membership Class</b>	<b>Continuous Employment Since</b>	<b>Defined Benefit (DB) Contribution Rate</b>	<b>DC Contribution Rate</b>	<b>Total Contribution Rate</b>
<b>T-C</b>	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
<b>T-C</b>	On or after July 22, 1983	6.25%	N/A	6.25%
<b>T-D</b>	Prior to July 22, 1983	6.50%	N/A	6.50%
<b>T-D</b>	On or after July 22, 1983	7.50%	N/A	7.50%
<b>T-E</b>	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
<b>T-F</b>	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.80%
<b>T-G</b>	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
<b>T-H</b>	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
<b>DC</b>	On or after July 1, 2019	N/A	7.50%	7.50%

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2023**

**NOTE 7 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

**Employee Defined Benefit Pension Plan - continued**

***General Information About the Pension Plan - continued***

Contributions - continued

<b>Shared Risk Program Summary</b>				
<b>Membership Class</b>	<b>Defined Benefit (DB) Base Rate</b>	<b>Shared Risk Increment</b>	<b>Minimum</b>	<b>Maximum</b>
<b>T-E</b>	7.50%	+/- 0.50%	5.50%	9.50%
<b>T-F</b>	10.30%	+/- 0.50%	8.30%	12.50%
<b>T-G</b>	5.50%	+/- 0.75%	2.50%	8.50%
<b>T-H</b>	4.50%	+/- 0.75%	1.50%	7.50%

**Employer Contributions:**

The Charter School’s contractually required contribution rate for the fiscal year ended June 30, 2023 was 34.31% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Charter School were \$2,860,610 for the year ended June 30, 2023. The Charter School also contributed \$16,675 to the defined contribution plan during the year ended June 30, 2023.

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

At June 30, 2023, the Charter School reported a liability of \$27,965,000 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 June 30, 2021 to June 30, 2022. The Charter School’s proportion of the net pension liability was calculated utilizing the employer’s one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023, the Charter School’s proportion was 0.0629%, which was a decrease of 0.0018% from its proportion measured as of June 30, 2022.

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 7 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

For the year ended June 30, 2023, the Charter School recognized pension expense of \$3,855,367. At June 30, 2023, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,000	\$ 242,000
Changes of assumptions	835,000	-
Net difference between projected and actual investment earnings	-	474,000
Changes in proportion - plan level	2,523,000	622,000
Difference between employer contributions and proportionate share of total contributions	57,048	-
Contributions made subsequent to the measurement date	2,860,610	-
	<u>\$ 6,288,658</u>	<u>\$ 1,338,000</u>

The \$2,860,610 reported as deferred outflows of resources related to pensions resulting from Charter School contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2024	\$ 1,401,433
2025	944,335
2026	(922,437)
2027	666,717
	<u>\$ 2,090,048</u>

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 7 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions

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

- Actuarial valuation date - June 30, 2021
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- 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.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

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

The 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.

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 7 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions - continued

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 is:

<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%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Absolute return	6.0%	3.5%
Cash	3.0%	0.5%
Leverage	(11.0%)	0.5%
	<u>100.0%</u>	

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.

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 7 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Sensitivity of the Charter 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 one-percentage point lower (6.00%) or one-percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Charter School's proportionate share of the net pension liability	\$ 36,170,000	\$ 27,965,000	\$ 21,046,000

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

Payables to the Pension Plan

At June 30, 2023, the Charter School had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$734,668. This amount represents the Charter School's contractually obligated contributions for wages earned in April 2023 through June 2023.

**403(b) Tax Shelter Plan**

The Charter School has established a 403(b) tax shelter plan permitting the establishment of accounts for school employees to voluntarily set aside monies to supplement their retirement income. All school employees are eligible to participate.

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2023**

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS**

**Employee Defined Benefit Other Postemployment Benefit Plans**

The Charter School has other postemployment benefits (OPEB) under 2 different plans: (1) a cost-sharing, multiple employer, employee defined benefit other postemployment benefits plan administered through PSERS (PSERS OPEB Plan), and (2) a single employer defined benefit healthcare plan (Charter School OPEB Plan). The Charter School’s aggregate net OPEB liability and deferred outflows and inflows of resources related to OPEB at June 30, 2023 are as follows:

Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
PSERS OPEB Plan	\$ 1,160,000	\$ 499,533	\$ 310,000
Charter School OPEB Plan	533,422	97,438	571,179
Total	<u>\$ 1,693,422</u>	<u>\$ 596,971</u>	<u>\$ 881,179</u>

**PSERS OPEB Plan**

***General Information About the PSERS OPEB Plan***

Health Insurance Premium Assistance Program

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

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

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**PSERS OPEB Plan - continued**

*General Information About the PSERS OPEB Plan - continued*

Premium Assistance Eligibility Criteria

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age.

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

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of the distributions.

Pension Plan Description

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

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

*General Information About the PSERS OPEB Plan - continued*

Contributions

The contribution policy is set by state statute. A portion of each employer’s contribution is set aside for premium assistance. The Charter School’s contractually required contribution rate for the fiscal year ended June 30, 2023, was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the Charter School were \$62,533 for the year ended June 30, 2023.

***PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB***

At June 30, 2023, the Charter School reported a liability of \$1,160,000 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 Charter 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, 2023, the Charter School’s proportion was 0.0630% which was a decrease of 0.0017% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the Charter School recognized OPEB expense of \$129,826. At June 30, 2023, the Charter School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Difference between expected and actual experience	\$ 11,000	\$ 6,000
Changes of assumptions	129,000	274,000
Net difference between projected and actual investment earnings	3,000	-
Changes in proportion	294,000	30,000
Contributions made subsequent to the measurement date	62,533	-
	<u>\$ 499,533</u>	<u>\$ 310,000</u>

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

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PSERS OPEB Plan - continued

*PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued*

The \$62,533 reported as deferred outflows of resources related to OPEB resulting from Charter School contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2024	\$ 66,000
2025	53,000
2026	21,000
2027	1,000
2028	<u>(14,000)</u>
	<u>\$ 127,000</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 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial valuation date - June 30, 2021.
- Actuarial cost method - Entry Age Normal - level % 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%

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

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PSERS OPEB Plan - continued

*PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued*

Actuarial Assumptions - continued

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

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: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 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.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS 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.

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

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PSERS OPEB Plan - continued

*PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued*

Actuarial Assumptions - continued

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 is:

<u>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>	

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.

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2023**

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED**

**PSERS OPEB Plan - continued**

***PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued***

Sensitivity of the Charter School’s Proportionate Share of the Net OPEB Liability to Changes 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, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 611 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 in the next section.

The following presents the Charter School’s proportionate share of the net OPEB liability for the June 30, 2022 measurement date, calculated using current Healthcare cost trends as well as what the Charter School’s proportionate share of the net OPEB liability would be if the health cost trends were one-percentage point lower or one-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Charter School's proportionate share of the net OPEB liability	\$ 1,160,000	\$ 1,160,000	\$ 1,160,000

Sensitivity of the Charter 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:

	<u>1% Decrease 3.09%</u>	<u>Current Discount Rate 4.09%</u>	<u>1% Increase 5.09%</u>
Charter School's proportionate share of the net OPEB liability	\$ 1,311,000	\$ 1,160,000	\$ 1,033,000

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

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2023**

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED**

**PSERS OPEB Plan - continued**

***PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued***

Payables Related to the Plan

At June 30, 2023, the Charter School had an accrued balance due to PSERS of \$734,668 including balances related to pension and OPEB. This amount represents the Charter School’s contractually obligated contributions for wages earned in April 2023 through June 2023.

**Charter School OPEB Plan**

***General Information About the Charter School OPEB Plan***

Plan Description

21st Century Cyber Charter School administers a single-employer defined benefit healthcare plan (the OPEB Plan). The Charter School OPEB Plan provides medical, prescription drug, dental, vision, and life insurance for eligible retirees through the Charter School’s health insurance plan, which covers both active and retired members. Benefit provisions are established by the Charter School. The OPEB Plan does not issue a publicly available financial report and no assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board Statement No. 75 to pay related benefits.

Benefits Provided

The Charter School classifies employees in the following categories: CEO/Director, Administrators, and Project Staffing. Contribution requirements are established by the Charter School. Below is a summary of the postemployment benefits provided to each of these groups:

**CEO/Director**

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Act 110/43 requirements of PSERS Retirement with 10 years of service with 21CCCS	<p><u>Coverage</u> Medical, Prescription Drug, Dental, and Vision Insurance</p> <p><u>Premium Sharing</u> The Board will pay the costs of medical, prescription drug, vision and dental for the CEO/Director and spouse.</p> <p><u>Dependents</u> Spouse included</p>	Member and spouse coverage is provided until Member Medicare Age.

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2023**

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED**

**Charter School OPEB Plan - continued**

***General Information About the Charter School OPEB Plan - continued***

Benefits Provided - continued

**Administrators**

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Act 110/43 requirements or PSERS Retirement with 10 to 19 years of service with 21CCCS	<p><u>Coverage</u> Medical, Prescription Drug, Dental, Vision, and Life Insurance</p> <p><u>Premium Sharing</u> The maximum life insurance provided to a retiree is 2.5 times annual base salary prior to retirement up to a maximum coverage amount of \$350,000. The Charter School will pay ½ the cost of premium for the group term life insurance.</p> <p>If the Retiree is eligible for PSERS retirement with at least 10 years of service with the Charter School, the Charter School will provide a subsidy for one year of medical, prescription drug, dental and vision coverage for every 2 years of service with the school, up to a maximum of 7 years. Retiree will provide payment equal to the premium determined for the purpose of COBRA for dental and vision coverage. For medical and prescription drug premiums, the Charter School’s contribution level will be the same dollar amount contributed in the retiree’s last year of employment. Retiree must pay the active employee cost share amount at retirement as well as any increases in premium.</p> <p><u>Dependents</u> Spouse and Family included</p>	<p>Member coverage is provided until the later of a) the expiration of the Charter School’s subsidy or b) Member Medicare age.</p> <p>Spousal coverage is provided until the later of a) expiration of the Charter School’s subsidy or b) earlier of Member Medicare age or Spouse Medicare age.</p> <p>Life insurance is provided until the member age 65.</p>

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2023**

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED**

**Charter School OPEB Plan - continued**

*General Information About the Charter School OPEB Plan - continued*

Benefits Provided - continued

**Administrators - continued**

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Act 110/43 requirements or PSERS Retirement with 20 or more years of service with 21CCCS	<p><u>Coverage</u> Medical, Prescription Drug, Dental, Vision, and Life Insurance</p> <p><u>Premium Sharing</u> The maximum life insurance provided to a retiree is 2.5 times annual base salary prior to retirement up to a maximum coverage amount of \$350,000. The Charter School will pay ½ the cost of premium for the group term life insurance.</p> <p>If the Retiree is eligible for PSERS retirement with at least 10 years of service with the Charter School, the Charter School will provide a subsidy for one year of medical, prescription drug, dental and vision coverage for every 2 years of service with the school, up to a maximum of 7 years. Retiree will provide payment equal to the premium determined for the purpose of COBRA for dental and vision coverage. For medical and prescription drug premiums, the Retiree must pay the greater of the PSERS Supplement or the active employee cost share amount. Upon the expiration of the subsidy, if the Retiree qualifies for Act 110/43, the Retiree may continue coverage by providing payment equal to the premium determined for the purpose of COBRA until Medicare age. If the Retiree does not qualify for Act 110/43 upon the expiration of the subsidy, the Retiree cannot continue coverage. If a retiree does not qualify for the Charter School subsidy but qualifies for Act 110/43, the Retiree may continue coverage until Medicare age by paying the COBRA premium.</p> <p><u>Dependents</u> Spouse and Family included</p>	<p>Member coverage is provided until the later of a) the expiration of the Charter School’s subsidy or b) Member Medicare age.</p> <p>Spousal coverage is provided until the later of a) expiration of the Charter School’s subsidy or b) earlier of Member Medicare age or Spouse Medicare age.</p> <p>Life insurance is provided until the member age 65.</p>

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

Charter School OPEB Plan - continued

*General Information About the Charter School OPEB Plan - continued*

Benefits Provided - continued

**Project Staffing**

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Act 110/43 requirements or 20 years of service with 21CCCS	Act 110/43	Act 110/43

Act 110/43 Eligibility: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement.

Act 110/43 Coverage and Premium Sharing: Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

PSERS Supplement: A retiree may receive a \$100 monthly medical reimbursement from PSERS if he or she meets one of the following qualifications at retirement:

- 1) 24.5 years of PSERS service.
- 2) Upon superannuation retirement with at least 15 years of PSERS service.

PSERS Retirement:

- 1) Pension Class T-C or T-D: An employee is eligible for PSERS retirement if he (or she) is eligible for either: a) PSERS early retirement while under 62 with 5 years of PSERS service or b) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service, or 35 years of PSERS service regardless of age. In general, these pension classes apply to individuals who were members of PSERS prior to July 1, 2011.
- 2) Pension Class T-E or T-F: An employee is eligible for PSERS retirement if he (or she) is eligible for either: a) PSERS early retirement while under 65 with 10 years of PSERS service or b) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. In general, these pension classes apply to individuals who became members of PSERS on or after July 1, 2011 and prior to July 1, 2019.

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

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Charter School OPEB Plan - continued

*General Information About the Charter School OPEB Plan - continued*

Benefits Provided - continued

PSERS Retirement - continued:

- 3) Pension Class T-G: An employee is eligible for PSERS retirement if he (or she) is eligible for either: a) PSERS early retirement while under 67 with 10 years of PSERS service or b) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 97 with a minimum of 35 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 4) Pension Class T-H: An employee is eligible for PSERS retirement if he (or she) is eligible for either: a) PSERS early retirement while under 67 with 10 years of PSERS service or b) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 5) All individuals except those in Pension Class T-G are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service. Individuals in Pension Class T-G are eligible for a special early retirement upon reaching age 57 with 25 years of PSERS service.

Coordination with Medicare: If a participant carries benefits beyond Medicare eligibility, the participant will be required to enroll in Medicare and switch to the PC 65 plan. Medicare will be the primary payer.

Employees Covered by Benefit Terms

At July 1, 2022, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

Active participants	123
Vested former participants	-
Retired participants	-
	<hr/>
Total	123
	<hr/> <hr/>

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

Charter School OPEB Plan - continued

***OPEB Liability***

Actuarial Assumptions and Other Inputs

The total OPEB liability as of July 1, 2022, was determined by rolling forward the Charter School's total OPEB liability as of July 1, 2021 to July 1, 2022, using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method - Entry Age Normal.
- Salary increases - 2.50% cost of living adjustment, 1.5% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Discount rate - 4.06% - based on the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index at July 1, 2022.
- Mortality rates - PubT-2010 headcount- weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount- weighted mortality table including rates for all other employees.
- Healthcare cost trend rates - 6.5% in 2022, 6.0% in 2023 and 5.5% in 2024-2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - 100% of administrators and 40% of project staff are assumed to elect coverage.

The actuarial assumptions were selected using input from the Charter School based on actual experience.

***Changes in the Total OPEB Liability***

Balance at June 30, 2022	\$ 723,502
Changes for the year:	
Service cost	142,231
Interest	19,718
Differences between expected and actual experience	(131,102)
Changes of assumptions or other inputs	(219,269)
Benefit payments	(1,658)
Net changes	<u>(190,080)</u>
Balance at June 30, 2023	<u>\$ 533,422</u>

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 2.28% to 4.06%; (2) the trend assumption was updated; (3) assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2023**

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED**

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**Charter School OPEB Plan - continued**

***Changes in the Total OPEB Liability - continued***

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

The following presents the total OPEB liability of the Charter School, as well as what the Charter School's total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (3.06 %) or one-percentage point higher (5.06%) than the current discount rate:

	<u>1% Decrease (3.06%)</u>	<u>Current Discount Rate (4.06%)</u>	<u>1% Increase (5.06%)</u>
OPEB Plan - Total OPEB liability	\$ 590,942	\$ 533,422	\$ 480,637

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
OPEB Plan - Total OPEB liability	\$ 455,394	\$ 533,422	\$ 627,240

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2023**

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED**

**Charter School OPEB Plan - continued**

***OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB***

For the year ended June 30, 2023, the Charter School recognized OPEB expense of \$133,840. At June 30, 2023, the Charter School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Difference between expected and actual experience	\$ -	\$ 315,804
Changes of assumptions	94,699	255,375
Benefit payments subsequent to the measurement date	<u>2,739</u>	<u>-</u>
	<u>\$ 97,438</u>	<u>\$ 571,179</u>

The \$2,739 reported as deferred outflows of resources related to OPEB resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2024	\$ (28,109)
2025	(28,109)
2026	(28,109)
2027	(28,109)
2028	(28,109)
Thereafter	<u>(335,935)</u>
Total	<u>\$ (476,480)</u>

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

**NOTE 9 - RISK MANAGEMENT**

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The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for unemployment compensation, for which the Charter School retains risk of loss. For insured programs, there were no significant reductions in insurance coverages for the 2022/2023 school year. Settlement amounts have not exceeded insurance coverage for the current year and three prior years.

**NOTE 10 - FUND BALANCE**

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Details of the Charter School's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended June 30, 2023, were as follows:

Nonspendable:		
Prepaid expenditures	\$	15,218
Committed:		
Future capital projects		2,639,869
Technology initiatives		4,703,269
New initiatives fund		6,009,510
Program contingency fund		428,774
Assigned:		
PSERS retirement rate increases		241,661
Health insurance rate increases		131,697
2023/24 Budgeted Deficit		549,315
Unassigned		<u>9,082,099</u>
Total fund balances	\$	<u><u>23,801,412</u></u>

The commitments and assignments were authorized by the board of trustees' motion to set aside resources to fund the commitments noted above.

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2023**

**NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS**

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The Governmental Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of Statement No. 62* - The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.
- Statement No. 101, *Compensated Absences* - The primary objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

The Charter School has not yet completed the analysis necessary to determine the actual financial statement impact of these new pronouncements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**BUDGETARY COMPARISON SCHEDULE FOR THE  
GENERAL FUND**

**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Local sources	\$ 25,885,926	\$ 25,885,926	\$ 22,782,554	\$ (3,103,372)
State sources	65,248	65,248	90,693	25,445
Federal sources	-	-	1,186	1,186
<b>TOTAL REVENUES</b>	<b>25,951,174</b>	<b>25,951,174</b>	<b>22,874,433</b>	<b>(3,076,741)</b>
<b>EXPENDITURES</b>				
<b>INSTRUCTIONAL SERVICES:</b>				
Regular programs - elementary/secondary	10,495,796	9,650,816	6,766,307	2,884,509
Special programs - elementary/secondary	3,982,856	3,734,948	2,278,346	1,456,602
Vocational education	217,000	228,980	57,524	171,456
Other instructional programs - elementary/secondary	333,722	340,864	194,893	145,971
Higher education programs for secondary students	-	13,767	13,766	1
<b>TOTAL INSTRUCTIONAL SERVICES</b>	<b>15,029,374</b>	<b>13,969,375</b>	<b>9,310,836</b>	<b>4,658,539</b>
<b>SUPPORT SERVICES:</b>				
Students	1,870,628	1,907,389	1,356,842	550,547
Instructional staff	2,271,707	2,288,701	1,705,780	582,921
Administration	3,149,705	3,010,775	2,766,448	244,327
Pupil health	302,448	302,449	114,058	188,391
Business services	1,154,995	1,148,581	945,486	203,095
Operation and maintenance of plant	1,562,317	1,574,171	807,747	766,424
Student transportation services	2,500	52,500	20,996	31,504
Central	1,506,552	1,542,084	1,837,109	(295,025)
<b>TOTAL SUPPORT SERVICES</b>	<b>11,820,852</b>	<b>11,826,650</b>	<b>9,554,466</b>	<b>2,272,184</b>
<b>OPERATION OF NONINSTRUCTIONAL SERVICES:</b>				
Student activities	199,274	181,851	59,929	121,922
Community services	-	-	2,555	(2,555)
<b>TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES</b>	<b>199,274</b>	<b>181,851</b>	<b>62,484</b>	<b>119,367</b>
<b>DEBT SERVICE PAYMENTS</b>	<b>-</b>	<b>-</b>	<b>312,006</b>	<b>(312,006)</b>
<b>TOTAL EXPENDITURES</b>	<b>27,049,500</b>	<b>25,977,876</b>	<b>19,239,792</b>	<b>6,738,084</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,098,326)</b>	<b>(26,702)</b>	<b>3,634,641</b>	<b>3,661,343</b>
<b>OTHER FINANCING USE</b>				
Budgetary reserve	-	(1,071,624)	-	1,071,624
<b>SPECIAL ITEM</b>				
Proceeds from sale of building	-	-	1,585,438	1,585,438
<b>REVENUES, OTHER FINANCING SOURCES AND SPECIAL ITEM OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ (1,098,326)</b>	<b>\$ (1,098,326)</b>	<b>5,220,079</b>	<b>\$ 6,318,405</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<b>18,581,333</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 23,801,412</b>	

See note to required supplementary information.

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2023**

**BUDGETARY DATA**

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The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2022/2023 budget transfers.

**Excess of Expenditures Over Appropriations in Individual Funds**

No individual governmental fund required to have a legally adopted budget had an excess of expenditures over appropriations.

**Budgetary Compliance**

The Charter School's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The Charter School cancels all purchase orders open at year end; therefore, it does not have any outstanding encumbrances at June 30, 2023. In addition, the Charter School includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

**21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL**

**SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AND RELATED RATIOS - PENSION PLAN**

**LAST TEN FISCAL YEARS**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Charter School's proportion of the collective net pension liability	0.0629%	0.0647%	0.0561%	0.0523%	0.0474%	0.0388%	0.0313%	0.0296%	0.0309%	0.0279%
Charter School's proportionate share of the collective net pension liability	\$ 27,965,000	\$ 26,564,000	\$ 27,623,000	\$ 24,467,000	\$ 22,754,000	\$ 19,163,000	\$ 15,511,000	\$ 12,822,000	\$ 12,230,000	\$ 11,422,000
Charter School's covered payroll	\$ 9,258,695	\$ 9,178,274	\$ 7,853,279	\$ 7,218,830	\$ 6,383,878	\$ 5,170,698	\$ 4,059,874	\$ 3,803,141	\$ 3,937,654	\$ 3,580,336
Charter School's proportionate share of the net pension liability as a percentage of its covered payroll	302.04%	289.42%	351.74%	338.93%	356.43%	370.61%	382.06%	337.14%	310.59%	319.02%
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%	54.50%

The Charter School's covered payroll noted above is as of the measurement date of the net pension liability, which is one year prior to the fiscal year end.

**NOTES TO SCHEDULE**

***Changes in benefit terms***

With the passage of Act 5 on June 12, 2017, class T-E & T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

***Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2021***

- The Discount Rate decreased from 7.25% to 7.00%. The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.
- Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an 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 rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.
- For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

***Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016***

- The Investment Rate of Return was adjusted from 7.50% to 7.25%. The inflation assumption was decreased from 3.00% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PENSION PLAN

LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,860,610	\$ 3,156,161	\$ 3,122,173	\$ 2,639,914	\$ 2,367,496	\$ 2,042,783	\$ 1,521,325	\$ 1,040,962	\$ 824,109	\$ 630,616
Contributions in relation to the contractually required contribution	2,860,610	3,156,161	3,122,173	2,639,914	2,367,496	2,042,783	1,521,325	1,040,962	824,109	630,616
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charter School's covered payroll	\$ 8,389,589	\$ 9,258,695	\$ 9,178,274	\$ 7,853,279	\$ 7,218,830	\$ 6,383,878	\$ 5,170,698	\$ 4,059,874	\$ 3,803,141	\$ 3,937,654
Contributions as a percentage of covered payroll	34.10%	34.09%	34.02%	33.62%	32.80%	32.00%	29.42%	25.64%	21.67%	16.02%

21<sup>ST</sup> CENTURY CYBER CHARTER SCHOOL

SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
AND RELATED RATIOS - PSERS OPEB PLAN

LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017
Charter School's proportion of the collective net PSERS OPEB liability	0.0630%	0.0647%	0.0560%	0.0523%	0.0474%	0.0388%	0.0313%
Charter School's proportionate share of the collective net PSERS OPEB liability	\$ 1,160,000	\$ 1,534,000	\$ 1,210,000	\$ 1,112,000	\$ 988,000	\$ 791,000	\$ 674,000
Charter School's covered payroll	\$ 9,258,695	\$ 9,178,274	\$ 7,853,279	\$ 7,218,830	\$ 6,383,878	\$ 5,170,698	\$ 4,059,874
Charter School's proportionate share of the net PSERS OPEB liability as a percentage of its covered payroll	12.53%	16.71%	15.41%	15.40%	15.48%	15.30%	16.60%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

The Charter School's covered payroll noted above is as of the measurement date of the net PSERS OPEB liability, which is one year prior to the fiscal year end.

**NOTES TO SCHEDULE**

***Changes in benefit terms***

None.

***Changes in assumptions used in measurement of the Total OPEB Liability beginning June 30, 2021***

- The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.
- Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an 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 rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.
- For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

***Changes in assumptions used in measurement of the Total OPEB liability beginning June 30, 2016***

- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

**For each year presented, the discount rate is updated using the S&P 20-year Municipal Bond Rate.**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PSERS OPEB PLAN

LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 62,533	\$ 74,826	\$ 76,401	\$ 66,473	\$ 60,277	\$ 53,419	\$ 43,243	\$ 34,976	\$ 36,180	\$ 36,655
Contributions in relation to the contractually required contribution	62,533	74,826	76,401	66,473	60,277	53,419	43,243	34,976	36,180	36,655
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charter School's covered payroll	\$ 8,389,589	\$ 9,258,695	\$ 9,178,274	\$ 7,853,279	\$ 7,218,830	\$ 6,383,878	\$ 5,170,698	\$ 4,059,874	\$ 3,803,141	\$ 3,937,654
Contributions as a percentage of covered payroll	0.75%	0.81%	0.83%	0.85%	0.83%	0.84%	0.84%	0.86%	0.95%	0.93%

21<sup>st</sup> CENTURY CYBER CHARTER SCHOOL

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS -  
CHARTER SCHOOL OPEB PLAN

LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018
Total OPEB Liability:						
Service cost	\$ 142,231	\$ 143,341	\$ 108,992	\$ 109,307	\$ 91,917	\$ 87,681
Interest	19,718	13,815	20,069	14,804	15,855	9,773
Changes of benefit terms	-	-	-	-	(4,651)	-
Differences between expected and actual experience	(131,102)	-	(112,678)	-	(125,220)	-
Changes of assumptions	(219,269)	(33,071)	96,434	(21,252)	(1,528)	16,559
Benefit payments	(1,658)	-	(3,716)	-	(7,737)	-
Net change in total OPEB liability	(190,080)	124,085	109,101	102,859	(31,364)	114,013
Total OPEB liability, beginning	723,502	599,417	490,316	387,457	418,821	304,808
Total OPEB liability, ending	\$ 533,422	\$ 723,502	\$ 599,417	\$ 490,316	\$ 387,457	\$ 418,821
<b>Covered Employee Payroll</b>	<b>\$ 7,787,786</b>	<b>\$ 8,744,575</b>	<b>\$ 8,744,575</b>	<b>\$ 7,304,223</b>	<b>\$ 7,304,223</b>	<b>\$ 4,834,351</b>
<b>Total OPEB Liability as a Percentage of Covered Employee Payroll</b>	<b>6.85%</b>	<b>8.27%</b>	<b>6.85%</b>	<b>6.71%</b>	<b>5.30%</b>	<b>8.66%</b>

NOTES TO SCHEDULE

*Changes of Benefit Terms*

None.

*Changes of Assumptions*

Significant changes in assumptions for the July 1, 2022 measurement date are as follows:

- The discount rate changed from 2.28% to 4.06%.
- The trend assumption was updated.
- Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Significant changes in assumptions for prior measurement dates are as follows:

- The discount rate was updated each year based on the S&P Municipal Bond 20-year High Grade Index
- The healthcare cost trend assumption was updated each year

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

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

**To the Board of Trustees  
21<sup>st</sup> Century Cyber Charter School  
West Chester, Pennsylvania**

We have audited, 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, the financial statements of the governmental activities and each major fund of 21st Century Cyber Charter School, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise 21st Century Cyber Charter School's basic financial statements and have issued our report thereon dated December 12, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 21st Century Cyber 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 21st Century Cyber Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of 21st Century Cyber 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 were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 21st Century Cyber 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.

*Herbein + Company, Inc.*

**Reading, Pennsylvania**  
**December 12, 2023**