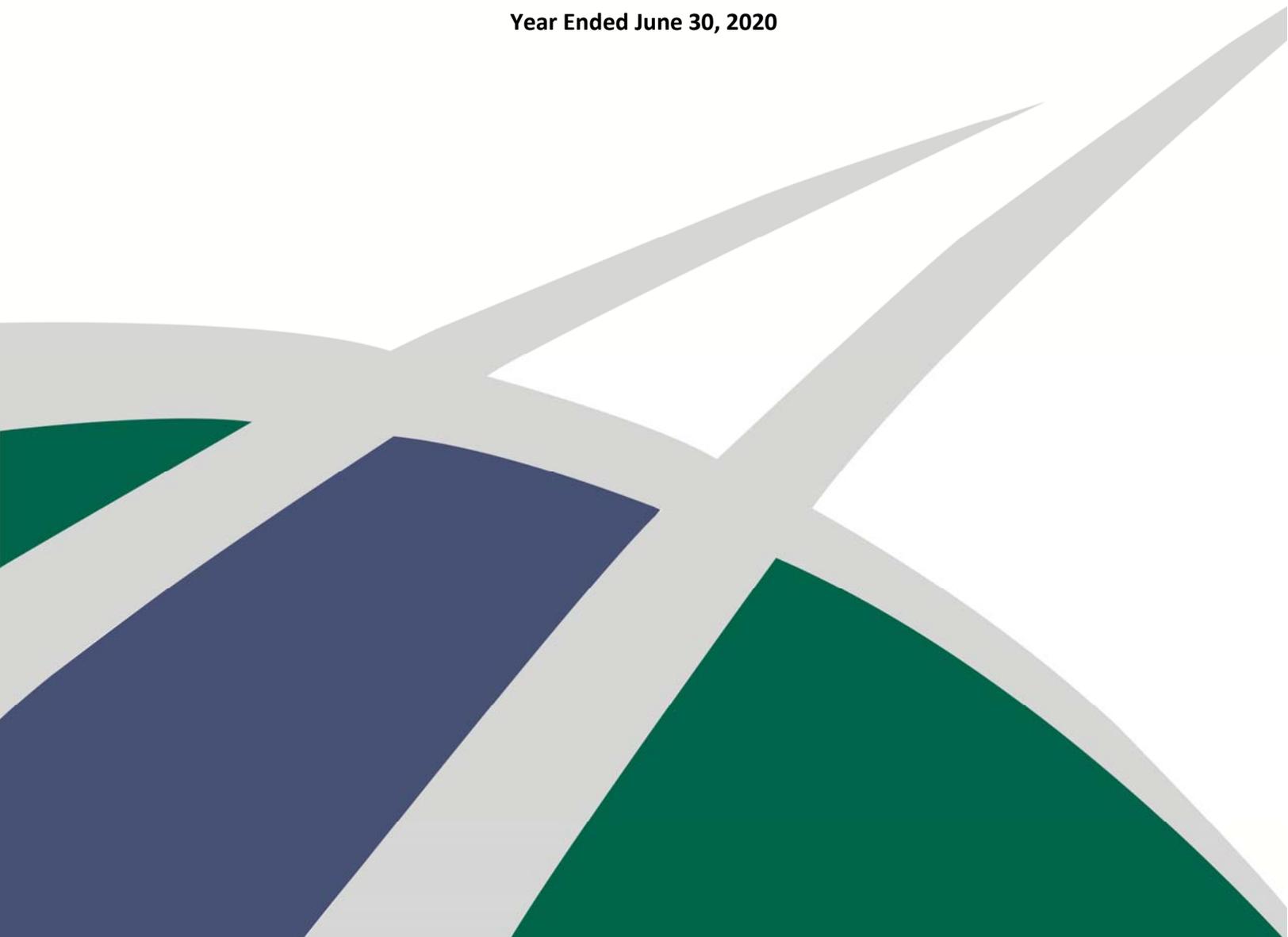




***COMMONWEALTH CHARTER ACADEMY  
CHARTER SCHOOL***

**FINANCIAL AND COMPLIANCE REPORT**

**Year Ended June 30, 2020**



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**Herbein + Company, Inc.**  
2763 Century Boulevard  
Reading, PA 19610  
P: 610.378.1175  
F: 610.378.0999  
[www.herbein.com](http://www.herbein.com)

## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Commonwealth Charter Academy Charter School  
Harrisburg, Pennsylvania**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Commonwealth Charter Academy Charter School, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Commonwealth Charter Academy Charter School, as of June 30, 2020, 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.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule for the general fund, and pension and other postemployment benefit information on pages 49 through 52, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth Charter Academy Charter School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2021, on our consideration of the Commonwealth Charter Academy 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 the 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 the Charter School's internal control over financial reporting and compliance.

*Herbein + Company, Inc.*

Reading, Pennsylvania  
January 13, 2021



**Commonwealth Charter Academy Charter School  
Management's Discussion and Analysis  
June 30, 2020**

The Management of Commonwealth Charter Academy Charter School (CCA or the School) has prepared this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2020. The information presented here should be read and considered in conjunction with the School's financial statements.

**Financial Highlights**

Government-wide net position increased by \$38.9 million in the current year, bringing the ending net position to \$71.0 million.

For fiscal year 2019-20, CCA adopted a balanced general fund budget in the amount of \$132.6 million. Actual general fund revenues and other financing sources were \$164 million. Actual general fund expenditures were \$111.3 million and transfers to the capital projects fund were \$55 million. This resulted in a fund balance reduction in the general fund of \$2.3 million.

General fund revenues in 2019-20 increased approximately \$20.8 million over the prior year due to various continued economic factors and increased student enrollments. Another known factor still contributing to the increase in general fund revenues is due to the 2017-18 court decision which required school districts to use budgeted expenditures instead of actual expenditures for tuition payment calculations.

With the additional onset of the COVID-19 global pandemic that closed all Pennsylvania public schools on March 13, 2020, CCA faced unprecedented scenarios related to educational operations. Most notable of which was the inability to bill school districts for any students enrolled with CCA after the State mandated school closures.

The School's general fund cash balance at June 30, 2020 was \$37.2 million which is an increase of approximately \$13.6 million. School receivables have increased by \$1.4 million due in large part to an increase in school district tuition receivables at year-end as a result of student growth. All other receivables remain consistent with the prior year due to routine year-end reconciliations.

Total general fund payables increased by \$17.1 million due primarily to an increase in interfund payables of \$15.4 million related to transfers to the capital projects fund for future building and technology project investments.

The School adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, beginning in 2014-15, and is accordingly reporting its share of the June 30, 2020 total PSERS pension liability calculated to be \$108.3 million.

Effective July 1, 2017, the School adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, to be in conformity with generally accepted accounting principles. Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferring inflows of resources, and expenditures in order to improve accounting and financial reporting by governments for postemployment benefits other than pensions (OPEB). The OPEB liability reflected on the government-wide statements relates to the Public School Employees Retirement System (PSERS) Health Insurance Premium Assistance Program. At June 30, 2020, the School’s share of this OPEB liability was \$4.9 million, which is reflected on the government-wide statements.

**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 report also contains supplementary information related to single audit reporting requirements.

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 various parts of this annual report are arranged and related to one another.

**Figure 1**

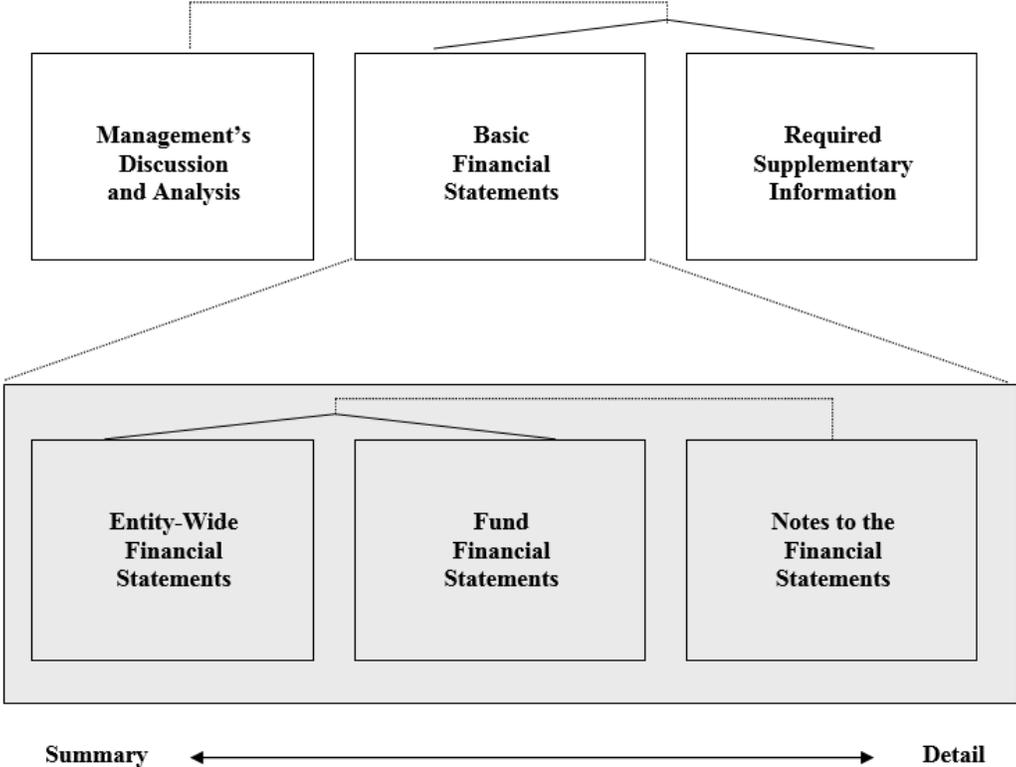


Figure 2 summarizes the major features of the School’s financial statements, including the portion of School activity they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

**Figure 2**

<u>Major Features of the Government-Wide and Fund Financial Statements</u>		
	District-Wide Statements	Fund Financial Statements
		Governmental Funds
Scope	Entire School (except fiduciary funds)	Activities of the School that are not proprietary or fiduciary, such as general operating and capital projects
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets and liabilities, both financial and capital, current and noncurrent, and deferred inflows and outflows of resources	Generally, 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 the related liability is due and payable

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 major individual funds of the School. 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 particular programs. The School currently has only governmental funds.

- Governmental Funds - Most of the School's basic services are included in governmental funds that focus on how money flows into and out of these funds and the balances left at the year-end for future spending. The governmental fund financial statements provide a detailed short-term view of the general operations and the basic services provided and provide some direction as to whether there will be more or fewer resources that can be spent in the near future to finance the School's programs.

### **Government-Wide Financial Analysis**

The Statement of Net Position contains information about the School's assets, liabilities, deferred inflows and outflows of resources, and net position. Management has adopted Governmental Accounting Standards Board (GASB) Statement No. 34 which requires a comparative analysis of current and prior periods. Figure 3 shows a comparative summary of the School's net position for the years ended June 30, 2020 and 2019.

<b>Figure 3</b>	<u>2020</u>	<u>2019</u>
<b>Comparative Statement of Net Position Summary</b>		
Current assets	\$ 110,505,149	\$ 80,297,563
Capital assets, net	<u>64,500,148</u>	<u>44,436,114</u>
Total assets	175,005,297	124,733,677
Deferred outflows of resources	<u>28,824,308</u>	<u>27,568,738</u>
Total assets and deferred outflows	<u>\$ 203,829,605</u>	<u>\$ 152,302,415</u>
Current liabilities	\$ 15,204,071	\$ 11,257,001
Net pension liability & other post-employment benefits	<u>113,275,000</u>	<u>106,692,000</u>
Total liabilities	128,479,071	117,949,001
Deferred pension and other post-employment benefit inflows	4,398,000	2,269,000
Net invested in capital assets	64,500,148	44,436,114
Restricted for Capital	75,488,457	46,949,596
Unrestricted	<u>(69,036,071)</u>	<u>(59,301,296)</u>
Total net position	<u>70,952,534</u>	<u>32,084,414</u>
Total liabilities, deferred inflows, and net position	<u>\$ 203,829,605</u>	<u>\$ 152,302,415</u>

The increase in total assets, besides excess revenues over expenses in operations, is due in part to additions to capital assets from continued investments in our physical sites at strategic locations throughout the state. The increase in assets is also from continued investments in edio, the School's relationship management system. Finally, the increase is also due to additional reserves in the Capital Projects fund for planned purchases of buildings, building improvements, software development, and technology.

The increase in liabilities is a result of higher payroll liabilities related to an increase in staff during the school year from increased enrollments. It is also a result of higher payables at year end related to operations as well as a slightly higher pension and other postemployment benefit liability at year end. The higher pension and other postemployment benefit amounts are provided by PSERS. Deferred inflows and outflows relate to both the pension and other postemployment benefit plans offered through PSERS. These amounts fluctuate from year-to-year based on plan experiences.

The School's revenues remain predominately local school district tuition funds based on student enrollment. For the year ended June 30, 2020, the School's total revenues of \$164.5 million exceeded expenditures of \$125.6 million by \$38.9 million, which impacts the net position at the end of the year.

The results of operations for the fiscal year ended June 30, 2020 as a whole are reported in the Statement of Activities. Figure 4 is a comparative summary of changes in net position for the years ending June 30, 2020 and 2019.

Revenues are defined as either program or general revenues. Program revenues are generated by the services themselves or provided externally for use in a particular function and are categorized as charges for services, operating grants and contributions, or capital grants and contributions. General revenues include investment earnings and other revenue that does not meet the criteria for program revenue. Expenses are categorized by function - instruction, support services, and non-instructional services.

<b>Figure 4</b>	<u>2020</u>	<u>2019</u>
<b>Comparative Statement of Activities Summary</b>		
<b>Revenues</b>		
Program Revenues		
Local educational agency assistance	\$ 156,292,592	\$ 135,419,795
Operating grants & contributions	7,156,224	6,583,604
General revenues	<u>1,027,629</u>	<u>745,150</u>
Total revenues	164,476,445	142,748,549
<b>Expenditures</b>		
Instruction	59,652,259	56,245,769
Support services	57,380,350	50,617,877
Non-instructional services	2,581,078	2,294,528
Unallocated depreciation	<u>5,994,638</u>	<u>4,555,075</u>
Total expenditures	<u>125,608,325</u>	<u>113,713,249</u>
Change in net position	38,868,120	29,035,300
Net position, beginning	<u>32,084,414</u>	<u>3,049,114</u>
Net position, ending	<u>\$ 70,952,534</u>	<u>\$ 32,084,414</u>

### **Governmental Funds Financial Analysis**

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

The School's governmental funds reported an ending fund balance of \$95.3 million. Of the ending fund balance, \$9.9 million is nonspendable, \$75.5 million is restricted for capital projects and technology investments, and \$9.0 million is assigned for various purposes. The remaining unassigned fund balance is \$.9 million.

### Budget Variations - General Fund

The actual revenues exceeded budgeted amounts by \$31.4 million, due to increased tuition from sending school districts related to their per student expenditure calculations, increased student enrollments during the school year, and an increase in federal funding monies.

Actual expenditures, excluding other financing uses, is less than budget by \$1.9 million due to a continued shortage of budgeted personnel for various instructional and support positions throughout the district. Increasing enrollments drive staffing and our enrollments outpaced our staffing again this year.

### **Capital Assets**

As of June 30, 2020, the School's investment in capital assets for its governmental activities totaled \$64,500,148 (net of accumulated depreciation). This investment in capital assets includes equipment, furniture, technology, software, buildings and building improvements.

The School continued to invest in building improvements, software development, and furniture and equipment during 2019-20. Capital additions were \$26,673,939.

Fixed assets costing \$4,302,957 with accumulated depreciation of \$3,687,690 were disposed of during the year ended June 30, 2020.

Additional information on the School's capital assets can be found in Note 6 of this report.

### **Economic Factors and Next Year's Budget and Activities**

The School's primary source of revenue, tuitions received from local school districts, are anticipated to keep pace with the growth in student enrollments during the 2020-21 school year. Economic factors affecting the budgets will include the current COVID-19 global pandemic, the costs of staffing to our enrollment levels, the continual increase of PSERS contribution rates, the cost of health insurance premiums, and potential State budget cuts. Additional future events that could impact the School financially include fluctuations in the student enrollments related to the pandemic and corresponding staffing changes to meet the demand.

During 2020-21 school year and going forward, the School will maintain its investment strategy to finance curriculum and learning management system enhancements. It is anticipated that the School will also continue with its investment strategy of capital purchases and improvements. These projects will require additional resources over the next several years.

During the start of the 2020-21 school year, CCA has acquired a new Family Service Center in Malvern, PA which is meant to house the last of CCA's three works programs, MedWorks.

### **Contacting the School's Financial Management**

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to the CEO, Commonwealth Charter Academy Charter School, One Innovation Way, Harrisburg, PA 17110.

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**

**STATEMENT OF NET POSITION**

**June 30, 2020**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 85,363,603
Intergovernmental receivables	14,865,840
Other receivables	369,603
Prepaid expenses	9,906,103
Capital assets not being depreciated	8,660,604
Capital assets, net of accumulated depreciation	<u>55,839,544</u>
<b>TOTAL ASSETS</b>	<u>175,005,297</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources for pension	27,592,351
Deferred outflows of resources for other postemployment benefits	<u>1,231,957</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>28,824,308</u>
<b>LIABILITIES</b>	
Accounts payable	6,339,707
Other liabilities	144,658
Accrued salaries and benefits	3,812,680
Payroll deductions and withholdings	4,907,026
Noncurrent liabilities:	
Net pension liability	108,349,000
Net other postemployment benefit liability	<u>4,926,000</u>
<b>TOTAL LIABILITIES</b>	<u>128,479,071</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources for pension	4,229,000
Deferred inflows of resources for other postemployment benefits	<u>169,000</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>4,398,000</u>
<b>NET POSITION</b>	
Investment in capital assets	64,500,148
Restricted for capital projects	75,488,457
Unrestricted (deficit)	<u>(69,036,071)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 70,952,534</u>

*See accompanying notes.*

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Governmental Activities</b>				
Instruction	\$ 59,652,259	\$ 76,812,352	\$ 5,126,823	\$ 22,286,916
Instructional student support	28,500,477	38,395,301	632,566	10,527,390
Administrative and financial support services	24,584,330	31,867,053	36,041	7,318,764
Operation and maintenance of plant services	4,015,891	5,373,710	1,375	1,359,194
Pupil transportation	279,652	392,400	-	112,748
Student activities	261,122	366,399	10,558	115,835
Community services	2,319,956	3,085,377	1,348,861	2,114,282
Unallocated depreciation/ amortization expense	5,994,638	-	-	(5,994,638)
<b>Total Governmental Activities</b>	<b>\$ 125,608,325</b>	<b>\$ 156,292,592</b>	<b>\$ 7,156,224</b>	<b>37,840,491</b>
<b>General Revenues</b>				
Investment earnings				797,366
Miscellaneous revenue				230,263
<b>Total General Revenues</b>				<b>1,027,629</b>
<b>Change in Net Position</b>				<b>38,868,120</b>
<b>Net Position - Beginning of Year</b>				<b>32,084,414</b>
<b>Net Position - End of Year</b>				<b>\$ 70,952,534</b>

See accompanying notes.

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 37,180,847	\$ 48,182,756	\$ 85,363,603
Interfund receivable	-	30,000,000	30,000,000
Intergovernmental receivables	14,865,840	-	14,865,840
Other receivables	369,603	-	369,603
Prepaid expenditures	<u>9,906,103</u>	<u>-</u>	<u>9,906,103</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 62,322,393</u></u>	<u><u>\$ 78,182,756</u></u>	<u><u>\$ 140,505,149</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Interfund payable	\$ 30,000,000	\$ -	\$ 30,000,000
Accounts payable	3,645,408	2,694,299	6,339,707
Other liabilities	144,658	-	144,658
Accrued salaries and benefits	3,812,680	-	3,812,680
Payroll deductions and withholdings	<u>4,907,026</u>	<u>-</u>	<u>4,907,026</u>
<b>TOTAL LIABILITIES</b>	42,509,772	2,694,299	45,204,071
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid expenditures	9,906,103	-	9,906,103
Restricted	-	75,488,457	75,488,457
Assigned:			
Curriculum development	2,953,050	-	2,953,050
Personnel and legal costs	5,000,000	-	5,000,000
Future health insurance claims	1,000,000	-	1,000,000
Unassigned	<u>953,468</u>	<u>-</u>	<u>953,468</u>
<b>TOTAL FUND BALANCES</b>	<u>19,812,621</u>	<u>75,488,457</u>	<u>95,301,078</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 62,322,393</u></u>	<u><u>\$ 78,182,756</u></u>	<u><u>\$ 140,505,149</u></u>

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**

**June 30, 2020**

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

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUND</b>	\$ 95,301,078
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 \$80,664,558 and the accumulated depreciation/amortization is \$16,164,410.	64,500,148
The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.	(84,985,649)
The net other postemployment benefit liability and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements.	<u>(3,863,043)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 70,952,534</u></u>

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**

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

**For the Year Ended June 30, 2020**

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Local sources	\$ 159,133,296	\$ 405,812	\$ 159,539,108
State sources	438,078	-	438,078
Federal sources	4,499,259	-	4,499,259
<b>TOTAL REVENUES</b>	<b>164,070,633</b>	<b>405,812</b>	<b>164,476,445</b>
<b>EXPENDITURES</b>			
Current:			
Instructional services	54,714,114	388,694	55,102,808
Support services	54,174,684	16,179,371	70,354,055
Operation of noninstructional services	2,459,981	-	2,459,981
Capital outlay	-	10,298,886	10,298,886
Refund of prior year revenue	199	-	199
<b>TOTAL EXPENDITURES</b>	<b>111,348,978</b>	<b>26,866,951</b>	<b>138,215,929</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>52,721,655</b>	<b>(26,461,139)</b>	<b>26,260,516</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	55,000,000	55,000,000
Transfers out	(55,000,000)	-	(55,000,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(55,000,000)</b>	<b>55,000,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,278,345)</b>	<b>28,538,861</b>	<b>26,260,516</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>22,090,966</b>	<b>46,949,596</b>	<b>69,040,562</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 19,812,621</b>	<b>\$ 75,488,457</b>	<b>\$ 95,301,078</b>

See accompanying notes.

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

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

For the Year Ended June 30, 2020

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

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ 26,260,516

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	\$ 26,673,939	
Less: Depreciation/amortization expense	(5,994,638)	
Less: Loss on disposal of capital assets	<u>(615,267)</u>	20,064,034

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:

Net pension liability and related deferred outflows and inflows	(7,379,828)	
Net OPEB liability and related deferred outflows and inflows	<u>(76,602)</u>	<u>(7,456,430)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 38,868,120

## COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Commonwealth Charter Academy Charter School (the “Charter School” or “School”) is a nonprofit corporation established pursuant to the Pennsylvania Nonprofit Corporation Law of 1988. The Charter School is chartered directly through the Pennsylvania Department of Education. The current charter expired June 30, 2016; the renewal is currently being processed by the Pennsylvania Department of Education.

The Charter School is located in Harrisburg, Pennsylvania, and was established to leverage technology on behalf of students who need a more personalized approach to education to maximize their potential and meet the highest performance standards. The Charter School is a provider of high-quality, highly accountable virtual schooling for learners in grades K-12. The Charter School gives learners the flexibility to learn at home with a curriculum that meets rigorous State education standards. Through individualized service, instruction, and dedication to achievement, the Charter School provides an opportunity for all learners to competently meet personal and community goals, overcome challenges, and share their passion for success with future generations.

The Charter School is governed by a board of directors. The number of directors shall be determined by the Board from time to time. At least three directors shall be chosen from and shall represent one of the following constituencies: (1) the parent of one or more student(s) who is/are enrolled in the School; (2) a generally recognized community leader in the area served by the School, as determined at the discretion of the Board; and (3) an individual currently employed as either a teacher, college instructor in the area of education, or an individual who has served in those capacities or who otherwise has expertise in education, as determined at the discretion of the Board.

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

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The financial statements of Commonwealth Charter Academy 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.

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2020**

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

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**A. Reporting Entity - continued**

The Charter School used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, 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 legally separate entities 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 a legally separate entity 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 a legally separate entity 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, Commonwealth Charter Academy Charter School has determined it has no component units.

**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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**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.

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

**General Fund:** The general fund is the general operating fund of the Charter School. This fund is charged with all costs of operating the Charter School for which a separate fund has not been established.

**Capital Projects Fund:** The capital projects fund accounts for expenditures related to facilities acquisitions and improvements as well as office furniture and equipment costs located within School facilities, and proprietary software development and enhancements.

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

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as interfund receivables and payables. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**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.

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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 by October 31, 2020. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. 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 capital leases are reported as other financing sources.

**E. Budgetary Information**

**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 2019-2020 budget was prepared and approved by the board of directors prior to submitting the budget to the Pennsylvania Department of Education.

**F. Financial Position**

**1. Cash and Cash Equivalents**

The Charter School's reporting entity considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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F. Financial Position - continued

2. Investments

Investments are valued 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 Participants*.

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.

3. Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payables."

4. Receivables

The intergovernmental receivables are amounts due from local school districts, the Pennsylvania Department of Education (PDE), and other governmental entities.

5. 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. At June 30, 2020, prepaid expenditures/expenses consist of the following:

	General Fund
Curriculum	\$ 6,096,490
Rent and utilities	212,680
Security deposits	290,944
Professional services	2,452,294
Support services	652,155
Other	201,540
	<hr/>
Total	\$ 9,906,103

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

F. Financial Position - continued

6. 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 recorded at the estimated fair value of the item at the date of donation.

The Charter School generally capitalizes assets with a cost of \$10,000 or more as purchase and construction outlays occur, with the exception of laptops. 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. 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. Capital assets are depreciated using the straight-line method. 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.

Estimated useful lives for depreciable assets are as follows:

<u>Assets</u>	<u>Years</u>
Building and improvements	6 - 27.5
Software	10
Furniture and equipment	3 - 7

7. 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, 2020.

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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F. Financial Position - continued

8. 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 the 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.

9. Other Postemployment Benefits (OPEB)

The Charter School's other postemployment benefit plan is 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 plan:

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.

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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F. Financial Position - continued

**10. 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.

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

F. Financial Position - continued

**10. 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. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. There was no unavailable revenue as of June 30, 2020.

*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.

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2020**

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

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**F. Financial Position - continued**

**11. Net Position**

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, 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. 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.

**12. 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 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 directors 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.

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 board has delegated authority to assign fund balance to the Chief Operating Officer and Executive Vice President of Finance and Administration. 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.

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2020**

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

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**F. Financial Position - continued**

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

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 in circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expensed is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and unassigned fund balance.

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

**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.

**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, 2020, no individual fund had a deficit fund balance or net position.

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 3 - CASH

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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.

**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, 2020, the carrying amount of the Charter School's deposits was \$85,363,603 and the bank balance was \$86,932,267. The School participates in an insured cash sweep savings account which spreads savings funds through a variety of banks with allocated funds at each bank being under the FDIC limit. Therefore, \$81,297,489 of the bank balance was covered by federal depository insurance and \$5,634,778 was exposed to custodial credit risk but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the Pennsylvania General Assembly.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES AND UNAVAILABLE REVENUE

---

The intergovernmental receivables are due from local school districts, the Pennsylvania Department of Education (PDE), and other governmental agencies. Deferred inflows of resources are reported for all receivables not collected within the period of availability (by October 31, 2020). Thus, no allowance has been deemed necessary or recorded in the accompanying financial statements. The intergovernmental receivables balance consists of the following as of June 30, 2020:

Local Education Agencies	\$ 12,345,194
Pennsylvania Department of Education:	
Supporting Effective Instruction State Grant	208,286
Health Services Voucher	12,491
COVID-19 Elementary and Secondary School Emergency Relief Fund	1,375
COVID-19 Coronavirus Relief Fund	47,216
Pennsylvania Department of Human Services	42,949
Capital Area Intermediate Unit	<u>2,208,329</u>
Total Intergovernmental Receivables	<u>\$ 14,865,840</u>

All receivables were collected before October 31, 2020, and therefore no unavailable revenue is reported at June 30, 2020.

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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The following is a summary of interfund receivables and payables at June 30, 2020:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 30,000,000
Capital Projects Fund	<u>30,000,000</u>	<u>-</u>
	<u>\$ 30,000,000</u>	<u>\$ 30,000,000</u>

Interfund receivables and payables exist as a result of a time lag between dates when payments between funds are made and to fund current and future capital projects. All will be paid within one year.

Interfund transfers are summarized as follows at June 30, 2020:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 55,000,000
Capital Projects Fund	<u>55,000,000</u>	<u>-</u>
	<u>\$ 55,000,000</u>	<u>\$ 55,000,000</u>

Transfers are made to fund current and future capital purchases.

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2020**

**NOTE 6 - CHANGES IN CAPITAL ASSETS**

Capital assets balances and activity for the year ended June 30, 2020, were as follows:

	Beginning Balance	Increase	Decrease/ Transfers	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 171,105	\$ -	\$ -	\$ 171,105
Construction in progress	255,816	8,489,499	(255,816)	8,489,499
Total assets not being depreciated	<u>426,921</u>	<u>8,489,499</u>	<u>(255,816)</u>	<u>8,660,604</u>
Capital assets being depreciated:				
Building and improvements	33,120,626	2,810,103	255,816	36,186,545
Software	6,337,946	10,586,054	-	16,924,000
Furniture and equipment	18,408,083	4,788,283	(4,302,957)	18,893,409
Total assets being depreciated	<u>57,866,655</u>	<u>18,184,440</u>	<u>(4,047,141)</u>	<u>72,003,954</u>
Less accumulated depreciation/amortization for:				
Building and improvements	2,675,950	1,277,221	-	3,953,171
Software	633,794	1,692,400	-	2,326,194
Furniture and equipment	10,547,718	3,025,017	(3,687,690)	9,885,045
Total accumulated depreciation/ amortization	<u>13,857,462</u>	<u>5,994,638</u>	<u>(3,687,690)</u>	<u>16,164,410</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED/AMORTIZED, NET</b>	<u>44,009,193</u>	<u>12,189,802</u>	<u>(359,451)</u>	<u>55,839,544</u>
<b>GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET</b>	<u>\$ 44,436,114</u>	<u>\$ 20,679,301</u>	<u>\$ (615,267)</u>	<u>\$ 64,500,148</u>

Depreciation and amortization expense of \$5,994,638 in governmental activities was unallocated for the year ended June 30, 2020.

**NOTE 7 - LINE OF CREDIT**

On June 27, 2014, the Charter School obtained a \$5,000,000 line of credit to fund short-term asset purchases and fund accounts receivable. Interest on the line is payable at LIBOR plus 2.75%. The line is subject to certain financial covenants and all assets of the Charter School are pledged as collateral. There was no balance on the line and no activity for the year ended June 30, 2020.

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2020**

**NOTE 8 - LONG-TERM LIABILITIES**

Long-term liability balances and activity for the year ended June 30, 2020, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Net pension liability	\$ 102,251,000	\$ 16,646,230	\$ 10,548,230	\$ 108,349,000	\$ -
Net other postemployment benefit liability	<u>4,441,000</u>	<u>753,559</u>	<u>268,559</u>	<u>4,926,000</u>	<u>-</u>
Total Governmental Long-term Liabilities	<u>\$ 106,692,000</u>	<u>\$ 17,399,789</u>	<u>\$ 10,816,789</u>	<u>\$ 113,275,000</u>	<u>\$ -</u>

The net pension and OPEB liability will be liquidated through future contributions to PSERS at the statutory rates; contributions will be made from the general fund.

**NOTE 9 - EMPLOYEE RETIREMENT PLANS**

**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).

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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**Employee Defined Benefit Pension Plan - continued**

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.0% 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. For members whose membership started prior to July 1, 2011, after completion of 5 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 10 years of service.

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.

Changes in Benefit Terms:

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

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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**Employee Defined Benefit Pension Plan - continued**

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

Contributions

The contribution policy is set by state statute and requires contributions by active members and employers.

Member Contributions:

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

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

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The Charter School's contractually required contribution rate for the fiscal year ended June 30, 2020, was 33.36% 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 \$11,871,686 for the year ended June 30, 2020.

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - 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*

At June 30, 2020, the Charter School reported a liability of \$108,349,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. The Charter School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the Charter School's proportion was 0.2316%, which was an increase of 0.0186% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the Charter School recognized pension expense of \$19,251,514. At June 30, 2020, 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
Net difference between projected and actual investment earnings	\$ -	\$ 310,000
Difference between expected and actual experience	597,000	3,591,000
Changes in proportions - plan level	13,797,000	328,000
Changes of assumptions	1,035,000	-
Difference between employer contributions and proportionate share of total contributions	291,665	-
Contributions subsequent to the measurement date	11,871,686	-
	<u>\$ 27,592,351</u>	<u>\$ 4,229,000</u>

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - 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*

The \$11,871,686 reported as deferred outflows of resources resulting from the Charter School pension contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2021	\$ 6,819,961
2022	3,277,489
2023	1,168,969
2024	<u>225,246</u>
	<u>\$ 11,491,665</u>

Actuarial Assumptions

The total pension liability at June 30, 2019, was determined by rolling forward the System's total pension liability at June 30, 2018 to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.25%, includes inflation at 2.75%.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study that was performed for the five year period ended June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment 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.

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - 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*

Actuarial Assumptions - continued

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

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, 2019, is:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	<u>(20.0%)</u>	0.7%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2020**

**NOTE 9 - 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***

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

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

	<u>1% Decrease</u> 6.25%	<u>Current</u> <u>Discount Rate</u> 7.25%	<u>1% Increase</u> 8.25%
Charter School's proportionate share of the net pension liability	\$ 134,960,000	\$ 108,349,000	\$ 85,815,000

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2020, the Charter School had an accrued balance due to PSERS, including contributions related to pension and OPEB, of \$3,228,303. This amount represents the Charter School's contractually obligated contributions for wages earned in April 2020 through June 2020.

Pension Reform - Commonwealth of Pennsylvania Act 5 of 2017

On June 12, 2017, Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation establishes a new hybrid defined benefit/defined contribution (DC) retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan design options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. A stand-alone defined benefit plan is no longer available to new members after June 30, 2019. Contributions to the defined contribution pension plan from the Charter School were \$32,031 for the year ended June 30, 2020.

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

**NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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**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, but not required to participate from their initial date of employment. All contributions to the Plan by the employee are discretionary through elective salary reduction.

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN**

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**Employee Defined Benefit Other Postemployment Benefits Plan**

The Charter School has other postemployment benefits (OPEB) under a cost-sharing, multiple employer, employee defined benefit other postemployment benefits plan administered through PSERS (PSERS OPEB Plan).

**PSERS OPEB Plan**

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

Health Insurance Premium Assistance Program

PSERS 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 (HOP). As of June 30, 2019 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24 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, and
- Participate in the Health Option Program or employer-sponsored health insurance program.

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

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**PSERS OPEB Plan - continued**

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

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. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

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, 2020, was 0.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the Charter School were \$298,957 for the year ended June 30, 2020.

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

At June 30, 2020, the Charter School reported a liability of \$4,926,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. 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, 2020, the Charter School's proportion was 0.2316%, which was an increase of 0.0186% from its proportion measured as of June 30, 2019.

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2020**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED**

**PSERS OPEB Plan - continued**

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

For the year ended June 30, 2020, the Charter School recognized OPEB expense of \$375,559. At June 30, 2020, the Charter School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Outflows of Resources	Inflows of Resources
Net difference between projected and actual investment earnings	\$ 8,000	\$ -
Difference between expected and actual experience	28,000	-
Changes of assumptions	163,000	146,000
Changes in proportion	734,000	23,000
Contributions made subsequent to the measurement date	298,957	-
	\$ 1,231,957	\$ 169,000

The \$298,957 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, 2021. 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:

2021	\$ 131,000
2022	131,000
2023	130,000
2024	129,000
2025	170,000
Thereafter	73,000
	\$ 764,000

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN - 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

The total OPEB liability as of June 30, 2019, was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre-age 65 at 50%
  - Eligible retirees will elect to participate Post-age 65 at 70%

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study that was performed for the five year period ended June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

PSERS OPEB Plan - continued

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

Actuarial Assumptions - continued

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.

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, 2019, is:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	13.2%	0.20%
US Core Fixed Income	83.1%	1.00%
Non-US Developed Fixed	3.7%	0.00%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 2.79%. 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 2.79% which represents the S&P 20-year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2020**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN - 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, 2019, 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, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the Charter School's proportionate share of the net OPEB liability for the June 30, 2019 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 (Between 4% to 6.50%)</u>	<u>Current Rate (Between 5% to 7.50%)</u>	<u>1% Increase (Between 6% to 8.50%)</u>
Charter School's proportionate share of the net OPEB liability	\$ 4,925,000	\$ 4,926,000	\$ 4,926,000

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 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (1.79%) or one-percentage-point higher (3.79%) than the current rate:

	<u>1% Decrease 1.79%</u>	<u>Current Discount Rate 2.79%</u>	<u>1% Increase 3.79%</u>
Charter School's proportionate share of the net OPEB liability	\$ 5,612,000	\$ 4,926,000	\$ 4,357,000

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN - 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*

OPEB Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2020, the Charter School had an accrued balance due to PSERS of \$3,228,303, including balances related to pension and OPEB. This amount represents the Charter School's contractually obligated contributions for wages earned in April 2020 through June 2020.

NOTE 11 - 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 health and vision, for which the Charter School retains risk of loss, as described below. For insured programs, there were no significant reductions in insurance coverages for the 2019/2020 school year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior fiscal years.

Currently, the Charter School is self-insured for medical, dental, drug and vision insurance for current employees and their dependents. No retired individuals are participating in the plan. The Charter School uses a third party administrator to provide consulting and administrative services to process claims. During the year ended June 30, 2020, the Charter School had stop-loss coverage for individual claims exceeding \$150,000 per year per participant with exceptions. The Charter School will also receive a stop loss reimbursement of 100% for all medical claims which exceed \$7,247,165 in the aggregate for the year.

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - RISK MANAGEMENT - CONTINUED

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The following table presents the components of the plan's benefit liability and the related changes in the plan's benefit liabilities. Claims payable are reported within payroll deductions and withholdings.

Benefit liabilities at June 30:

	<u>2020</u>	<u>2019</u>
Claims payable	<u>\$ 650,933</u>	<u>\$ 446,999</u>

Changes in benefit liabilities are as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Claims payable, beginning of year	\$ 446,999	\$ 274,645
Benefits earned	5,676,777	4,605,490
Claims paid	<u>(5,472,843)</u>	<u>(4,433,136)</u>
Claims payable, end of year	<u>\$ 650,933</u>	<u>\$ 446,999</u>

NOTE 12 - CONTINGENT LIABILITIES

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The Charter School receives federal, state, and local funding through a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. Charter School officials do not expect any significant adjustments as a result of these examinations.

The Charter School is involved in various lawsuits that arise in the normal course of business. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Charter School's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Charter School.

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2020**

**NOTE 13 - COMMITMENTS**

The Charter School has the following commitments under long-term construction contracts as of June 30, 2020:

Contractor	Adjusted Contract Amount	Balance Remaining on Contract
Strada	\$ 288,500	\$ 37,180
Shannon Construction Company	8,696,110	3,029,338
Pioneer Construction Company, Inc.	654,242	10,422
Total	\$ 9,638,852	\$ 3,076,940

Additionally, subsequent to year-end the Charter School entered into a contract for design services related to construction totaling \$638,835. The Charter School plans to use existing resources in the capital projects fund to fulfill the above commitments.

The Charter School leases multiple facilities in Pennsylvania under various operating leases expiring through June 30, 2031. The following is a schedule of future lease rentals for the years ending June 30:

2021	\$ 2,620,343
2022	2,305,689
2023	1,833,810
2024	1,736,859
2025	1,773,195
2026 - 2030	7,672,299
2031	406,936
	\$ 18,349,131

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

**NOTE 14 - FUND BALANCES**

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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, 2020, were as follows:

**General Fund**

The general fund has nonspendable funds of \$9,906,103 related to prepaid expenditures; assigned funds of \$2,953,050 for curriculum development, \$5,000,000 for personnel and legal costs, and \$1,000,000 for future health insurance claims; and unassigned funds totaling \$953,468.

**Capital Projects Fund**

The capital projects fund has restricted funds of \$75,488,457 comprised of surplus monies transferred from the general fund for the acquisition or construction of capital facilities and qualifying capital assets.

**NOTE 15 - 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. 87, *Leases* - This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the Charter School's fiscal year ending June 30, 2022.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* - This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Under this statement, interest cost incurred before the end of a construction period must be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This statement is effective for the Charter School's fiscal year ending June 30, 2022.
- Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61* - This statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization and provides guidance for reporting a component unit if a government acquires a 100% equity interest in that component unit. This statement is effective for the Charter School's fiscal year ending June 30, 2021.

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED

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- Statement No. 96, *Subscription-Based IT Arrangements* - This statement establishes guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This statement is effective for the Charter School's fiscal year ending June 30, 2023.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**

**BUDGETARY COMPARISON SCHEDULE FOR THE  
GENERAL FUND**

**For the Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Local sources	\$ 128,554,634	\$ 128,554,634	\$ 159,133,296	\$ 30,578,662
State sources	273,705	273,705	438,078	164,373
Federal sources	3,806,490	3,806,490	4,499,259	692,769
<b>TOTAL REVENUES</b>	<b>132,634,829</b>	<b>132,634,829</b>	<b>164,070,633</b>	<b>31,435,804</b>
<b>EXPENDITURES</b>				
<b>INSTRUCTIONAL SERVICES:</b>				
Regular programs - elementary/secondary	36,561,285	36,561,285	34,718,752	1,842,533
Special programs - elementary/secondary	19,919,924	19,919,924	18,999,199	920,725
Vocational education programs	842,406	842,406	776,938	65,468
Other instructional programs - elementary/secondary	432,225	432,225	212,974	219,251
Higher education programs for secondary students	-	-	6,251	(6,251)
<b>TOTAL INSTRUCTIONAL SERVICES</b>	<b>57,755,840</b>	<b>57,755,840</b>	<b>54,714,114</b>	<b>3,041,726</b>
<b>SUPPORT SERVICES:</b>				
Students	10,911,392	10,911,392	11,676,507	(765,115)
Instructional staff	13,134,809	13,134,809	15,686,715	(2,551,906)
Administration	16,418,374	16,418,374	16,631,675	(213,301)
Pupil health	88,382	88,382	-	88,382
Business	1,801,447	1,801,447	1,312,914	488,533
Operation and maintenance of plant	4,281,504	4,281,504	3,821,082	460,422
Student transportation	411,993	411,993	279,652	132,341
Central	5,956,251	5,956,251	4,678,867	1,277,384
Other	95,358	95,358	87,272	8,086
<b>TOTAL SUPPORT SERVICES</b>	<b>53,099,510</b>	<b>53,099,510</b>	<b>54,174,684</b>	<b>(1,075,174)</b>
<b>OPERATION OF NONINSTRUCTIONAL SERVICES:</b>				
Student activities	228,725	228,725	261,122	(32,397)
Community services	2,194,460	2,194,460	2,198,859	(4,399)
<b>TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES</b>	<b>2,423,185</b>	<b>2,423,185</b>	<b>2,459,981</b>	<b>(36,796)</b>
<b>REFUND OF PRIOR YEAR REVENUE</b>	<b>-</b>	<b>-</b>	<b>199</b>	<b>(199)</b>
<b>TOTAL EXPENDITURES</b>	<b>113,278,535</b>	<b>113,278,535</b>	<b>111,348,978</b>	<b>1,929,557</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>19,356,294</b>	<b>19,356,294</b>	<b>52,721,655</b>	<b>33,365,361</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other revenues	50,000	50,000	-	(50,000)
Transfers out	(18,406,294)	(18,406,294)	(55,000,000)	(36,593,706)
Budgetary reserve	(1,000,000)	(1,000,000)	-	1,000,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(19,356,294)</b>	<b>(19,356,294)</b>	<b>(55,000,000)</b>	<b>(35,643,706)</b>
<b>REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(2,278,345)</b>	<b>\$ (2,278,345)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<b>22,090,966</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 19,812,621</b>	

See note to required supplementary information.

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2020**

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**BUDGETARY DATA**

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 2019/2020 budget transfers. There were no budget transfers for the year ended June 30, 2020.

**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, 2020. 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.

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**

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

**LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Charter School's proportion of the collective net pension liability	0.2316%	0.2130%	0.1869%	0.1887%	0.1759%	0.1646%	0.1322%
Charter School's proportionate share of the collective net pension liability	\$ 108,349,000	\$ 102,251,000	\$ 92,307,000	\$ 93,514,000	\$ 76,192,000	\$ 65,150,000	\$ 54,177,000
Charter School's covered payroll	\$ 31,937,528	\$ 28,680,932	\$ 24,888,058	\$ 24,440,167	\$ 22,634,497	\$ 21,008,594	\$ 16,966,671
Charter School's proportionate share of the net pension liability as a percentage of its covered payroll	339.25%	356.51%	370.89%	382.62%	336.62%	310.11%	319.31%
Plan fiduciary net position as a percentage of the total pension liability	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 of Benefit Terms*

With the passage of Act 5 Class T-E and T-F members are now permitted to elect a lump-sum payment of member contributions upon retirement.

*Changes of Assumptions*

None.

Note: 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.

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PENSION PLAN**

**LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 11,871,686	\$ 10,548,230	\$ 9,171,607	\$ 7,281,614	\$ 6,090,359	\$ 4,559,412
Contributions in relation to the contractually required contribution	<u>11,871,686</u>	<u>10,548,230</u>	<u>9,171,607</u>	<u>7,281,614</u>	<u>6,090,359</u>	<u>4,559,412</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered payroll	\$ 35,510,922	\$ 31,937,528	\$ 28,680,932	\$ 24,888,058	\$ 24,440,167	\$ 22,634,497
Contributions as a percentage of covered payroll	33.43%	33.03%	31.98%	29.26%	24.92%	20.14%

NOTE: 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.

**COMMONWEALTH CHARTER ACADEMY 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**

	2020	2019	2018	2017
Charter School's proportion of the collective net PSERS OPEB liability	0.2316%	0.2130%	0.1869%	0.1887%
Charter School's proportionate share of the collective net PSERS OPEB liability	\$ 4,926,000	\$ 4,441,000	\$ 3,808,000	\$ 4,065,000
Charter School's covered payroll	\$ 31,937,528	\$ 28,680,932	\$ 24,888,058	\$ 24,440,167
Charter School's proportionate share of the net PSERS OPEB liability as a percentage of its covered payroll	15.42%	15.48%	15.30%	16.63%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	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 of Benefit Terms*

None.

*Changes of Assumptions*

Significant changes of assumptions for the June 30, 2019 measurement date are as follows:

- The discount rate changed from 2.98% to 2.79%.

Note: 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.

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PSERS OPEB PLAN**

**LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 298,957	\$ 268,559	\$ 239,837	\$ 206,977	\$ 204,636	\$ 200,169
Contributions in relation to the contractually required contribution	<u>298,957</u>	<u>268,559</u>	<u>239,837</u>	<u>206,977</u>	<u>204,636</u>	<u>200,169</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Charter School's covered payroll	\$ 35,510,922	\$ 31,937,528	\$ 28,680,932	\$ 24,888,058	\$ 24,440,167	\$ 22,634,497
Contributions as a percentage of covered payroll	0.84%	0.84%	0.84%	0.83%	0.84%	0.88%

NOTE: 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.

**SUPPLEMENTARY INFORMATION**

## COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Program or Award Amount	Receipts for the Year	Accrued/ (Unearned) Revenue at June 30, 2019	Revenue Recognized/ Expenditures	Accrued/ (Unearned) Revenue at June 30, 2020
<b>U.S. Department of Education</b>									
<b>Passed through the Pennsylvania Department of Education:</b>									
Title I - Grants to Local Educational Agencies	I	84.010	013-20-1037	07/01/19-09/30/20	\$ 3,066,571	\$ 3,066,571	\$ -	\$ 3,066,571	\$ -
Title I - Grants to Local Educational Agencies	I	84.010	013-19-1037	07/02/18-09/30/19	3,121,438	202,981	202,981	-	-
Title I - Program Improvement Set Aside	I	84.010	042-19-1037	08/09/19-09/30/20	425,963	425,963	-	425,963	-
Title I - Program Improvement Set Aside	I	84.010	042-18-1037	09/11/18-09/30/19	77,665	29,871	29,871	-	-
Subtotal - CFDA 84.010						3,725,386	232,852	3,492,534	-
Supporting Effective Instruction State Grant	I	84.367	020-20-1037	07/01/19-09/30/20	371,531	163,245	-	371,531	208,286
Supporting Effective Instruction State Grant	I	84.367	020-19-1037	07/02/18-09/30/19	368,521	181,357	181,357	-	-
Subtotal - CFDA 84.367						344,602	181,357	371,531	208,286
Student Support and Academic Enrichment Program	I	84.424	144-20-1037	07/01/19-09/30/20	233,621	233,621	-	233,621	-
Student Support and Academic Enrichment Program	I	84.424	144-19-1037	07/02/18-09/30/19	206,143	123,686	123,686	-	-
Subtotal - CFDA 84.424						357,307	123,686	233,621	-
COVID-19 Elementary and Secondary School Emergency Relief Fund	I	84.425D	200-20-1037	03/13/20-09/30/21	2,518,711	-	-	1,375	1,375
Special Education Cluster (IDEA)									
<b>Passed through the Capital Area Intermediate Unit:</b>									
Special Education - Grants to States	I	84.027	H027A190093	07/01/19-09/30/20	2,206,579	-	-	2,206,579	2,206,579
Special Education - Grants to States	I	84.027	H027A180093	07/01/18-06/30/19	1,963,250	1,963,250	1,963,250	-	-
Subtotal - CFDA 84.027						1,963,250	1,963,250	2,206,579	2,206,579
Special Education - Preschool Grants	I	84.173	H173A190090	07/01/19-06/30/20	1,750	-	-	1,750	1,750
Special Education - Preschool Grants	I	84.173	H173A180090	07/01/18-06/30/19	1,560	1,560	1,560	-	-
Subtotal - CFDA 84.173						1,560	1,560	1,750	1,750
Total Special Education Cluster (IDEA)						1,964,810	1,964,810	2,208,329	2,208,329
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>						<b>6,392,105</b>	<b>2,502,705</b>	<b>6,307,390</b>	<b>2,417,990</b>
<b>U.S. Department of Health and Human Services</b>									
Medicaid Cluster									
<b>Passed through the Pennsylvania Department of Human Services:</b>									
Medical Assistance Program	I	93.778	N/A	07/01/19-06/30/20	50,734	7,786	-	50,735	42,949
Medical Assistance Program	I	93.778	N/A	07/01/18-06/30/19	39,309	33,634	33,634	-	-
<b>TOTAL MEDICAID CLUSTER AND U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						<b>41,420</b>	<b>33,634</b>	<b>50,735</b>	<b>42,949</b>
<b>U.S. Department of Treasury</b>									
<b>Passed through the Pennsylvania Commission on Crime and Delinquency:</b>									
COVID-19 Coronavirus Relief Fund	I	21.019	2020-CS-01-33984	03/01/20-10/30/20	90,000	-	-	47,216	47,216
<b>TOTAL FEDERAL AWARDS</b>						<b>\$ 6,433,525</b>	<b>\$ 2,536,339</b>	<b>\$ 6,405,341</b>	<b>\$ 2,508,155</b>

Source Code: I = Indirect source of funding

NOTE: No funds were passed through to subrecipients in the year ended June 30, 2020.

See notes to schedule of expenditures of federal awards.

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2020**

**NOTE 1 - BASIS OF PRESENTATION**

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The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of Commonwealth Charter Academy Charter School under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Commonwealth Charter Academy Charter School, it is not intended to and does not present the financial position, changes in net position, or cash flows of Commonwealth Charter Academy Charter School.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

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Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to the reimbursement. Negative amounts shown on the Schedule represent adjustment or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3 - DE MINIMIS RATE FOR INDIRECT COSTS**

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The Charter School did not elect to use the De Minimis rate for indirect costs.

**NOTE 4 - ACCESS PROGRAM**

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The Charter School participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding classified as fee-for-service and recognized for the year ended June 30, 2020 was \$302,246.



Herbein + Company, Inc.  
2763 Century Boulevard  
Reading, PA 19610  
P: 610.378.1175  
F: 610.378.0999  
[www.herbein.com](http://www.herbein.com)

**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 Directors  
Commonwealth Charter Academy Charter School  
Harrisburg, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Commonwealth Charter Academy Charter School, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Commonwealth Charter Academy Charter School's basic financial statements and have issued our report thereon dated January 13, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commonwealth Charter Academy 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 Commonwealth Charter Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commonwealth Charter Academy Charter School's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Commonwealth Charter Academy Charter School's financial statements are free of 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**  
**January 13, 2021**



**Herbein + Company, Inc.**  
2763 Century Boulevard  
Reading, PA 19610  
P: 610.378.1175  
F: 610.378.0999  
[www.herbein.com](http://www.herbein.com)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Directors  
Commonwealth Charter Academy Charter School  
Harrisburg, Pennsylvania**

**Report on Compliance for Each Major Federal Program**

We have audited Commonwealth Charter Academy Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Commonwealth Charter Academy Charter School's major federal programs for the year ended June 30, 2020. Commonwealth Charter Academy Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Commonwealth Charter Academy Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Commonwealth Charter Academy Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Commonwealth Charter Academy Charter School's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Commonwealth Charter Academy Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

## Report on Internal Control Over Compliance

Management of Commonwealth Charter Academy Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Commonwealth Charter Academy Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Commonwealth Charter Academy Charter School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Herbein + Company, Inc.*

**Reading, Pennsylvania**  
**January 13, 2021**

COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified  
Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_\_\_ yes  X  no  
Significant deficiency(ies) identified not considered to be  
material weaknesses? \_\_\_\_\_ yes  X  none reported  
Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

**Federal Awards**

Internal control over major programs:  
Material weakness(es) identified? \_\_\_\_\_ yes  X  no  
Significant deficiency(ies) identified not considered to be  
material weaknesses? \_\_\_\_\_ yes  X  none reported  
Type of auditor's report issued on compliance for  
major programs: Unmodified  
Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR Section 200.516(a)? \_\_\_\_\_ yes  X  no

**Identification of major programs:**

84.010 Title I - Grants to Local Education Agencies  
84.010 Title I - Program Improvement Set Aside

Dollar threshold used to distinguish between Type A and  
Type B programs: \$750,000  
Auditee qualified as low-risk auditee?  X  yes \_\_\_\_\_ no

**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2020**

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**Section II - Financial Statement Findings**

There were no financial statement findings.

**Section III - Federal Awards Findings and Questioned Costs**

There were no federal awards findings or questioned costs reported.



**COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2020**

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**Section II - Financial Statement Findings**

There were no financial statement findings for the year ended June 30, 2019.

**Section III - Federal Awards Findings and Questioned Costs**

There were no federal awards findings or questioned costs reported for the year ended June 30, 2019.