



21st CENTURY CYBER CHARTER SCHOOL

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2021

TABLE OF CONTENTS

	Pages
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 11
 BASIC FINANCIAL STATEMENTS	
 Government-Wide Financial Statements	
Statement of Net Position.....	12
Statement of Activities.....	13
 Fund Financial Statements	
Balance Sheet - Governmental Fund	14
Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund.....	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Government-Wide Statement of Activities	17
 Notes to Basic Financial Statements	
Note 1 - Summary of Significant Accounting Policies	18
Note 2 - Stewardship, Compliance, and Accountability	28
Note 3 - Cash and Investments	29
Note 4 - Intergovernmental Receivables, Accounts Receivable, and Unavailable Revenue	31
Note 5 - Capital Assets	32
Note 6 - Long-Term Liabilities	33
Note 7 - Employee Retirement Plans.....	35
Note 8 - Other Postemployment Benefit Plans.....	41
Note 9 - Risk Management.....	56
Note 10 - Commitments	57
Note 11 - Fund Balance.....	57
Note 12 - New Accounting Pronouncements	58

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule for the General Fund	59
Note to Required Supplementary Information.....	60
Schedule of the Charter School’s Proportionate Share of the Net Pension	
Liability and Related Ratios - Pension Plan.....	61
Schedule of Charter School Contributions - Pension Plan	62
Schedule of the Charter School’s Proportionate Share of the Net OPEB	
Liability and Related Ratios - PSERS OPEB Plan	63
Schedule of Charter School Contributions - PSERS OPEB Plan	64
Schedule of Changes in the Total OPEB Liability and Related Ratios -	
Charter School OPEB Plan.....	65

**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*.....**

66 - 67



Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
www.herbein.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the , as of and for the year ended June 30, 2021, 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 in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the 21st Century Cyber Charter School, as of June 30, 2021, 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, budgetary comparison schedule for the general fund, and pension and other postemployment benefit information on pages 61 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021, on our consideration of the '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
December 14, 2021**



MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information
June 30, 2021

The discussion and analysis of 21st Century Cyber Charter School's (Charter School) financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the Charter School's financial performance.

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

FINANCIAL HIGHLIGHTS

The 21st Century Cyber Charter School's financial results for the 2020-2021 school year resulted in a total net position of \$6,477,300 and a Governmental Fund balance of \$17,852,405 at June 30, 2021. The June 30, 2020 net position was \$(4,926,451) and fund balance was \$3,635,220.

Governmental activities total assets at June 30, 2021 were \$33,380,166 compared to the June 30, 2020 balance of \$20,252,576.

The primary source of revenue for the Charter School is tuition charged to school districts at rates determined by the completion of the Pennsylvania Department of Education form PDE-363. With the continuation of the COVID-19 global pandemic, the Charter School continued to face unprecedented scenarios related to educational operations. Most notable of which was the uncertainty of student enrollment seeing an overall increase in enrollment of 936 students or 46% over the prior year, ending the year June 30, 2021 with 2,956 students.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

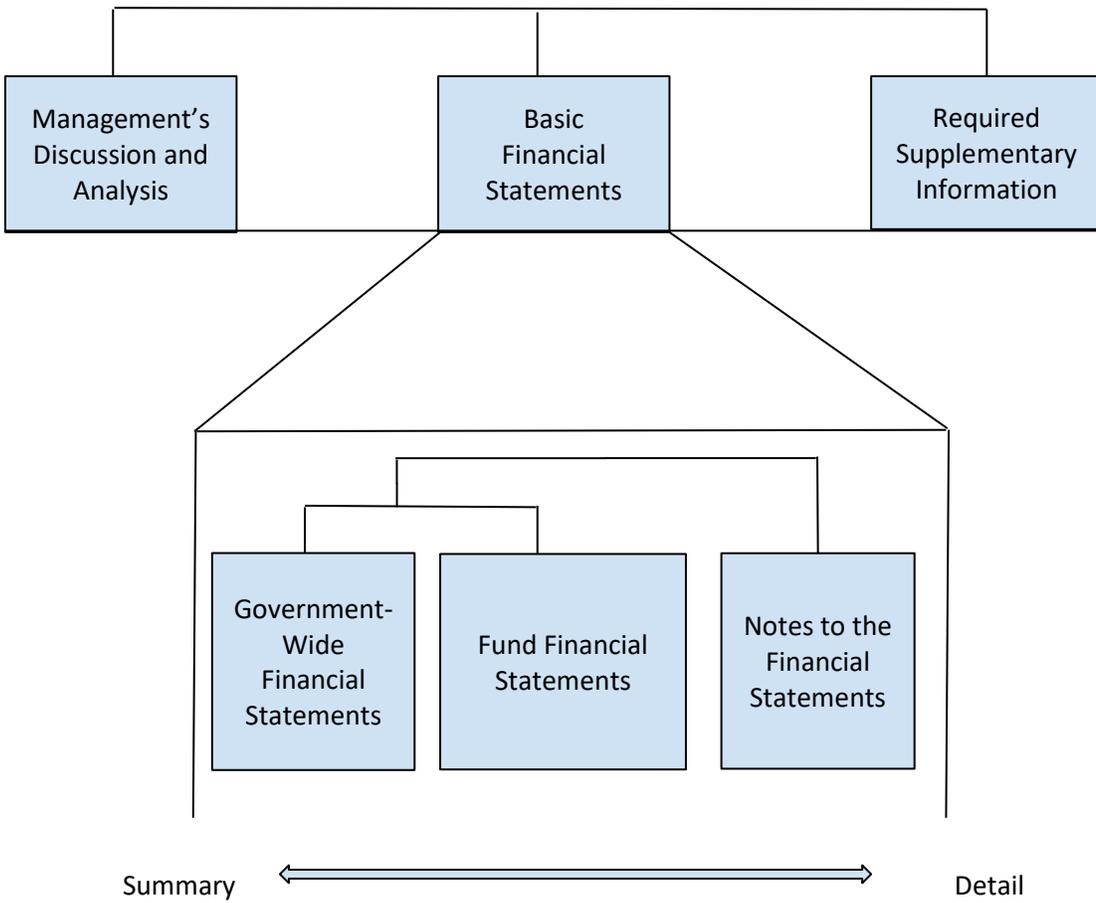


Figure 2 summarizes the major features of the Charter School’s financial statements. The remainder of this overview section of Management’s Discussion and Analysis highlights the structure and contents of each of the statements.

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

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

Government-Wide Statements

The government-wide statements report information about the Charter 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 Charter School's assets and liabilities and 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 Charter 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 Charter School, such as regular and special education and operation and maintenance of plant services, as well as the tuition revenue and federal and state grants which generally finance these programs.

Fund Financial Statements

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

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

FINANCIAL ANALYSIS OF THE 21ST CENTURY CYBER CHARTER SCHOOL AS A WHOLE

The Charter School’s total net position was \$6,477,300 as of June 30, 2021.

	Governmental Activities	
	2020	2021
Current and other assets	\$ 6,396,809	\$ 20,398,295
Capital assets	<u>\$ 13,855,767</u>	<u>\$ 12,981,871</u>
Total assets	\$ 20,252,576	\$ 33,380,166
Deferred outflows of resources	\$ 8,767,793	\$ 9,220,520
Current and other liabilities	\$ 3,432,166	\$ 2,381,327
Long-term liabilities	<u>\$ 29,465,738</u>	<u>\$ 32,817,879</u>
Total liabilities	\$ 32,897,904	\$ 35,199,206
Deferred inflows of resources	\$ 1,048,916	\$ 924,180
Net Investment in capital assets	\$ 9,891,109	\$ 9,918,990
Unrestricted	<u>\$ (14,817,560)</u>	<u>\$ (3,441,690)</u>
Total Net Position	<u>\$ (4,926,451)</u>	<u>\$ 6,477,300</u>

Current assets at June 30, 2021 included cash of \$16,218,693, intergovernmental and other receivables of \$3,645,524, and prepaid expenses of \$534,078.

Total liabilities increased in 2020-2021. Accounts payable balances were \$510,786 compared to the prior year balance of \$401,626. The increase of \$109,160 is the result of increased internet reimbursements to parents due to enrollment increases, increased staff with reimbursable internet, and an increase in special and regular education related services. Accrued salaries and benefits decreased from \$2,098,222 at June 30, 2020 to \$1,723,235 at June 30, 2021, a result of the net of increased staff due to increased enrollment and timing of payments made for associated taxes. The compensated absences accrual, which reflects the value of unused vacation time increased from \$333,305 to \$410,792 (which reflects the long-term portion) as of June 30, 2021. The total ending net other postemployment benefit liabilities are \$1,809,417 at year-end 2020-2021, an increase from the balance of \$1,602,316 at June 30, 2020. The largest increase in liabilities was the Charter School’s proportionate share of the net pension liability, which increased \$3,156,000 from the prior year totaling \$27,623,000 at June 30, 2021.

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

Figure 4 Condensed Statement of Activities June 30		
Governmental Activities		
Revenues	2020	2021
Program Revenues		
Charges for services	\$ 20,571,732	\$ 36,168,864
Operating grants and contributions	\$ 224,666	\$ 297,077
Capital grants and contributions	\$ 0	\$ 0
Investment Earnings	<u>\$ 28,086</u>	<u>\$ 2,520</u>
Total Revenues	\$ 20,824,484	\$ 36,468,461
Expenses		
Instruction	\$ 11,142,834	\$ 14,576,039
Support Services	\$ 10,471,955	\$ 10,220,202
Non Instructional Services and interest on long-term debt	<u>\$ 240,315</u>	<u>\$ 268,469</u>
Total Expenses	<u>\$ 21,855,104</u>	<u>\$ 25,064,710</u>
Increase (Decrease) in Net Position	\$ (1,030,620)	\$ 11,403,751
Beginning Net Position	<u>\$ (3,895,831)</u>	<u>\$ (4,926,451)</u>
Ending Net Position	<u>\$ (4,926,451)</u>	<u>\$ 6,477,300</u>

Increased enrollment in the Charter School generated additional tuition revenue of \$15,597,132 in 2020-2021 compared to the prior school year.

Total expenses in 2020-2021 were \$3,209,606 higher than in 2019-2020. The increase in operating expenses can be explained by increased staff, supplies, and materials due to enrollment, increased pension expense, and increased special education related services expenditures.

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

Figure 5 Net Income (Cost) of Governmental Activities June 30				
	Total Cost of Services		Net Income (Cost) of Services	
	2020	2021	2020	2021
Instruction	\$ 11,142,834	\$ 14,576,039	\$ (465,902)	\$ 7,153,355
Support Services	\$ 10,471,955	\$ 10,220,202	\$ (454,779)	\$ 4,311,290
Non Instructional Services and Interest	<u>\$ 240,315</u>	<u>\$ 268,469</u>	<u>\$ (138,025)</u>	<u>\$ (63,414)</u>
Total	<u>\$ 21,855,104</u>	<u>\$ 25,064,710</u>	<u>\$ (1,058,706)</u>	<u>\$ 11,401,231</u>

BUDGET HIGHLIGHTS

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

Revenue for the year was 61.4% more than budgeted. The difference between budget and actual is largely being driven by growth in enrollment during the year.

Total expenditures were 1.6% lower than budget for the year. Additional expenditures related to the growth in enrollment were offset by open administrative positions during the year and cost-savings related to marketing.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2021, the Charter School had \$12,981,871 invested in building improvements, furniture, and computer equipment, net of depreciation.

	Governmental Activities	
	2020	2021
Construction in Progress	\$ 0	\$ 0
Building & Building Improvements	\$ 13,080,124	\$ 12,360,001
Furniture & Computer Equipment	<u>\$ 775,643</u>	<u>\$ 621,870</u>
Total	<u>\$ 13,855,767</u>	<u>\$ 12,981,871</u>

Debt Administration

The 21st Century Cyber Charter School has debt for 1245 Wrights Lane Building with a Tax-Exempt Revenue Note, which has a balance of \$3,062,881 as of June 30, 2021. During the fiscal year, the Charter School closed an available drawdown bank note payable with a balance of \$0 as of June 30, 2021.

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

ECONOMIC FACTORS AND THE CHARTER SCHOOL'S FUTURE

A charter renewal for 2019-2020 to 2023-2024 was approved and issued in February 2019. A charter amendment was approved on October 26, 2016 to establish a satellite site in Murrysville, PA. This site has been established and is fully staffed.

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

Year	Rate
<i>2019-2020</i>	<i>34.29%</i>
<i>2020-2021</i>	<i>34.51%</i>
<i>2021-2022</i>	<i>34.94%</i>

As the political climate stabilizes in Pennsylvania, there has been little movement to seriously pass a charter school reform bill. Any change in the funding formula would likely be a part of that legislation. To date, no legislation has been passed regarding cyber charter school reform. The Board of Trustees has approved a program stabilization fund to provide financial assistance to the Charter School, if needed, should there be changes to the formula.

CONTACTING THE 21ST CENTURY CYBER CHARTER SCHOOL FINANCIAL MANAGEMENT

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

21st CENTURY CYBER CHARTER SCHOOL

STATEMENT OF NET POSITION

June 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 16,218,693
Intergovernmental receivables	3,645,524
Prepaid expenses	534,078
Capital assets, net of accumulated depreciation	<u>12,981,871</u>
TOTAL ASSETS	<u>33,380,166</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for pension	8,661,730
Deferred outflows of resources for other postemployment benefits	<u>558,790</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>9,220,520</u>
LIABILITIES	
Accounts payable	510,786
Accrued interest	7,637
Accrued salaries and benefits	1,723,235
Unearned revenues	51,458
Noncurrent liabilities, due within one year	88,211
Noncurrent liabilities:	
Notes payable	2,974,670
Long-term portion of compensated absences	410,792
Net pension liability	27,623,000
Net other postemployment benefit liabilities	<u>1,809,417</u>
TOTAL LIABILITIES	<u>35,199,206</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for pension	662,000
Deferred inflows of resources for other postemployment benefits	<u>262,180</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>924,180</u>
NET POSITION	
Net investment in capital assets	9,918,990
Unrestricted (deficit)	<u>(3,441,690)</u>
TOTAL NET POSITION (DEFICIT)	<u><u>\$ 6,477,300</u></u>

See accompanying notes.

21st CENTURY CYBER CHARTER SCHOOL

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2021

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 16,218,693
Intergovernmental receivables	3,645,524
Accounts receivable	1,877,865
Prepaid expenditures	<u>534,078</u>
TOTAL ASSETS	<u>\$ 22,276,160</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 510,786
Accrued salaries and benefits	1,723,235
Unearned revenues	<u>51,458</u>
TOTAL LIABILITIES	2,285,479
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - tuition	260,411
Unavailable revenue - other fees	<u>1,877,865</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	2,138,276
FUND BALANCE	
Nonspendable	534,078
Committed	15,505,247
Assigned	373,358
Unassigned	<u>1,439,722</u>
TOTAL FUND BALANCE	<u>17,852,405</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 22,276,160</u>

21st CENTURY CYBER CHARTER SCHOOL

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

June 30, 2021

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

TOTAL FUND BALANCE - GOVERNMENTAL FUND		\$ 17,852,405
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 \$15,679,557 and the accumulated depreciation is \$2,697,686.		12,981,871
Tuition receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds. Accounts receivables not collected soon enough to pay for the current period's expenditures are reported as unavailable revenue in the funds and fully reserved on the government-wide financial statements.		260,411
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Notes payable	(3,062,881)	
Accrued interest on notes	(7,637)	
Long-term portion of compensated absences	<u>(410,792)</u>	(3,481,310)
The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.		(19,623,270)
The net other postemployment benefit liabilities and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements.		<u>(1,512,807)</u>
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES		<u><u>\$ 6,477,300</u></u>

21st CENTURY CYBER CHARTER SCHOOL

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

For the Year Ended June 30, 2021

	<u>General Fund</u>
REVENUES	
Local sources	\$ 36,339,560
State sources	32,623
Federal sources	<u>74,680</u>
TOTAL REVENUES	36,446,863
 EXPENDITURES	
Current:	
Instructional services	12,621,244
Support services	8,451,923
Operation of noninstructional services	120,153
Debt service:	
Principal	901,777
Interest	<u>134,581</u>
TOTAL EXPENDITURES	<u>22,229,678</u>
EXCESS OF REVENUES OVER EXPENDITURES	14,217,185
FUND BALANCE - BEGINNING OF YEAR	<u>3,635,220</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 17,852,405</u></u>

21st CENTURY CYBER CHARTER SCHOOL

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

For the Year Ended June 30, 2021

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

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ 14,217,185

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	\$ 10,500	
Less: depreciation expense	<u>(884,396)</u>	(873,896)

Because some revenue will not be collected for several months after the Charter School's year end, they are not considered as "available" revenues in the governmental funds. This entry also records an allowance for uncollectible receivables. 21,598

Issuance of long-term debt (e.g. notes) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 901,777

Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. 212

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

Compensated absences	(77,487)	
Net pension liability and related deferred outflows and inflows	(2,601,574)	
Net OPEB liability and related deferred outflows and inflows	<u>(184,064)</u>	<u>(2,863,125)</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ 11,403,751

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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

The Charter School is located in West Chester, Pennsylvania, and was established to provide services to students located in Pennsylvania. The Charter School is governed by a board consisting of the executive directors of the Bucks, Chester, and Montgomery County Intermediate Units, nine active superintendents from Bucks, Chester, or Montgomery Counties, and one or more parents of children enrolled in the Charter School.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements

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

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

C. Basis of Presentation - Fund Financial Statements

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

The Charter School Reports the Following Major Governmental Fund:

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

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

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source. If time eligibility requirements are not met, deferred inflows of resources would be recorded. All other revenue items are considered to be measurable and available only when cash is received by the Charter School.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt, including draw down notes, and acquisitions under capital leases are reported as other financing sources.

E. Budgetary Information

1. Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations, except unexpended grant appropriations and encumbrances, lapse at fiscal year end. The Charter School's 1899-2021 budget was prepared and approved by the board of trustees prior to submitting the budget to the Pennsylvania Department of Education.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position

1. Investments

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

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

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

2. Receivables

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

3. Prepaid Items

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

4. Capital Assets, Depreciation, and Amortization

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

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

4. Capital Assets, Depreciation, and Amortization - continued

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

Estimated useful lives for depreciable assets are as follows:

Assets	Years
Building and building improvements	7 - 50
Furniture and computer equipment	5 - 20

5. Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The Charter School periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the Charter School's long-lived assets were considered to be impaired as of June 30, 2021.

6. Unearned Revenues

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

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

7. Compensated Absences

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

8. Long-Term Obligations

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

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

9. Pension

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

For the purpose of measuring net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS), and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

10. Other Postemployment Benefits (OPEB)

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

PSERS OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the PSERS and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Charter School OPEB Plan

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

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

11. 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.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

11. Deferred Outflows/Inflows of Resources - continued

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

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

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

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

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

12. 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.

13. 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 trustees is the highest level of decision-making authority for the Charter School that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

13. Fund Balance Policies and Flow Assumptions - continued

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

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

G. Use of Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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, 2021, no individual funds had a deficit fund balance or net position.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 3 - CASH AND INVESTMENTS

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

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

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

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

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

The breakdown of total cash and investments on the financial statements are as follows at June 30, 2021:

Petty cash	\$ 148
Demand deposits	6,218,518
Pooled cash and investments	<u>10,000,027</u>
	<u>\$ 16,218,693</u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Charter School does not have a policy for custodial credit risk. As of June 30, 2021, the carrying amount of the Charter School's deposits was \$6,218,518 and the bank balance was \$6,282,618. Of the bank balance, \$250,000 was covered by federal depository insurance and \$6,032,618 of the Charter School's bank balance was exposed to custodial credit risk but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the General Assembly.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments

As of June 30, 2021, the Charter School had the following pooled cash and investments:

	<u>Maturities</u>	<u>Fair Value/ Carrying Value</u>
PA School District Liquid Asset Fund:		
MAX Account Balance		\$ 10,000,003
Full Flex Pool	< 1 year	<u>24</u>
 Total Pooled Cash and Investments		 <u>\$ 10,000,027</u>

Certain external investments held by the Charter School, based on portfolio maturity, quality, diversification, and liquidity measures qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The Charter School measures those investments, which include \$10,000,027 (PSDLAF) at amortized cost. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

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

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

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

As of June 30, 2021, the entire PSDLAF book balance of \$10,000,027 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Interest Rate Risk

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

Credit Risk

The Charter School has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2021, the Charter School's investments were rated as:

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

Concentration of Credit Risk

The Charter School places no limit on the amount the Charter School may invest in any one issuer. As of June 30, 2021, the Charter School did not have any investments subject to concentration of credit risk.

Custodial Credit Risk

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

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

The intergovernmental and state receivables are due from local school districts and the Pennsylvania Department of Education (PDE); therefore, management believes that they are fully collectible. Thus, no allowance has been deemed necessary or recorded in the accompanying financial statements. The intergovernmental receivables balance totals \$3,645,524 as of June 30, 2021.

Accounts receivable represents payments due for damaged or unreturned equipment from students totaling \$1,877,865. Management has determined that these receivables should be fully reserved in the government-wide financial statements.

The Charter School reports unavailable revenue of \$2,138,276 at June 30, 2021, consisting of \$260,411 of tuition revenue and \$1,877,865 of fees for damaged or unreturned equipment which were not collected within 90 days of the fiscal year end.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 5 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2021, were as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets being depreciated:				
Building and building improvements	\$ 13,862,089	\$ -	\$ -	\$ 13,862,089
Furniture and computer equipment	<u>1,836,428</u>	<u>10,500</u>	<u>(29,460)</u>	<u>1,817,468</u>
Total assets being depreciated	15,698,517	10,500	(29,460)	15,679,557
Less accumulated depreciation for:				
Building and building improvements	781,965	720,123	-	1,502,088
Furniture and computer equipment	<u>1,060,785</u>	<u>164,273</u>	<u>(29,460)</u>	<u>1,195,598</u>
Total accumulated depreciation	<u>1,842,750</u>	<u>884,396</u>	<u>(29,460)</u>	<u>2,697,686</u>
 TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	 <u>13,855,767</u>	 <u>(873,896)</u>	 <u>-</u>	 <u>12,981,871</u>
 GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	 <u>\$ 13,855,767</u>	 <u>\$ (873,896)</u>	 <u>\$ -</u>	 <u>\$ 12,981,871</u>

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

Instruction	\$ 526,684
Instructional student support	157,794
Administrative and financial support services	151,521
Operation and maintenance of plant services	43,383
Student activities	<u>5,014</u>
 TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	 <u>\$ 884,396</u>

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 6 - LONG-TERM LIABILITIES

The Charter School issues tax-exempt revenue notes and bank notes to provide resources for major capital improvements. The notes are direct obligations issued on a pledge of the full faith and credit of the Charter School. Notes payable are as follows at June 30, 2021:

Tax-Exempt Revenue Note - Series of 2019:

The Charter School is liable for a tax-exempt revenue note dated March 5, 2019. The note was issued through the Central and Western Chester County Industrial Development Authority in the aggregate principal amount of \$3,250,000. The note bears interest at a fixed rate of 3.59%. Monthly payments of principal and interest are due beginning April 5, 2019 through maturity in March 2029. The proceeds of this note were used to fund the acquisition of a building.

\$ 3,062,881

The future annual payments required to amortize all notes payable for the years ending June 30 are as follows:

	<u>Tax-Exempt Revenue Note Series of 2019</u>	<u>Interest</u>
2022	\$ 88,211	\$ 110,048
2023	91,476	106,783
2024	94,578	103,681
2025	98,362	99,897
2026	102,003	96,256
2027 - 2029	<u>2,588,251</u>	<u>244,894</u>
	<u>\$ 3,062,881</u>	<u>\$ 761,559</u>

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balances and activity for the year ended June 30, 2021, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Direct borrowings	\$ 3,964,658	\$ -	\$ 901,777	\$ 3,062,881	\$ 88,211
Total payable	3,964,658	-	901,777	3,062,881	88,211
Compensated absences	333,305	77,487	-	410,792	-
Net pension liability	24,467,000	5,795,914	2,639,914	27,623,000	-
Net other postemployment benefit liabilities (OPEB)	1,602,316	277,290	70,189	1,809,417	-
Total governmental long-term liabilities	<u>\$ 30,367,279</u>	<u>\$ 6,150,691</u>	<u>\$ 3,611,880</u>	<u>\$ 32,906,090</u>	<u>\$ 88,211</u>

Payments on notes payable are made by the general fund. Total interest paid during the year ended June 30, 2021, was \$134,581. The compensated absence liabilities will be liquidated by the general fund. The net pension and PSERS OPEB Plan portion of the OPEB liability will be liquidated through future contributions to PSERS at the statutory rates; contributions will be made from the general fund. The Charter School OPEB Plan portion of the OPEB liability will be liquidated through future payments from the general fund.

Events of Default

The Charter School's note contains a provision that in the event of default of nonpayment of principal and interest, the Charter School shall pay interest at a default rate of 5.00%. Furthermore, the bank may declare all unpaid principal and interest immediately due and payable. The note also contains a prepayment clause which allows the Charter School to prepay the note, in whole or in part, without payment of premium or penalty.

Subsequent Event

Subsequent to year-end the Board of Trustees approved an early payoff of the Tax-Exempt Revenue Note - Series of 2019. It is anticipated that this note will be fully satisfied during the 2021-2022 school year.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 7 - 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.

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 five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 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.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 7 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Benefits Provided - continued

Changes in benefit terms:

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

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 T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

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

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

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

Employer Contributions:

The Charter School's contractually required contribution rate for the fiscal year ended June 30, 2021 was 33.51% 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 \$3,122,173 for the year ended June 30, 2021.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 7 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

At June 30, 2021, the Charter School reported a liability of \$27,623,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System’s total pension liability as of June 30, 2019 to June 30, 2020. The Charter School’s proportion of the net pension liability was calculated utilizing the employer’s one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the Charter School’s proportion was 0.0561%, which was an increase of 0.0038% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the Charter School recognized pension expense of \$5,723,747. At June 30, 2021, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 72,000	\$ 662,000
Net difference between projected and actual investment earnings	1,214,000	-
Changes in proportion - plan level	4,203,000	-
Difference between employer contributions and proportionate share of total contributions	50,557	-
Contributions made subsequent to the measurement date	3,122,173	-
	<u>\$ 8,661,730</u>	<u>\$ 662,000</u>

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 7 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

The \$3,122,173 reported as deferred outflows of resources related to pensions resulting from Charter School contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. 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:

2022	\$ 2,594,691
2023	1,096,224
2024	821,870
2025	<u>364,772</u>
	<u>\$ 4,877,557</u>

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment 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, 2020 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

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

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 7 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

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, 2020 is:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	(1.0%)
Financing (LIBOR)	<u>(14.0%)</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.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 7 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

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

The following presents the net pension liability, calculated using the discount rate of 7.25%, 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:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Charter School's proportionate share of the net pension liability	\$ 34,176,000	\$ 27,623,000	\$ 22,072,000

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2021, the Charter School had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$881,301. This amount represents the Charter School's contractually obligated contributions for wages earned in April 2021 through June 2021.

Hybrid Defined Benefit/Defined Contribution Retirement Plan

Pursuant to the Commonwealth Act 2017-5, members hired on or after July 1, 2019, will be required to choose one of three new retirement plan design options for retirement benefits. The current defined benefit plan will no longer be available to new members hired on or after July 1, 2019. The new plan design options include two hybrid plans consisting of defined benefit and defined contribution components. The third option is 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 \$16,771 for the year ended June 30, 2021.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 7 - EMPLOYEE RETIREMENT PLANS - CONTINUED

403(b) Tax Shelter Plan

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

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS

Employee Defined Benefit Other Postemployment Benefit Plans

The Charter School has other postemployment benefits (OPEB) under 2 different plans: (1) a cost-sharing, multiple employer, employee defined benefit other postemployment benefits plan administered through PSERS (PSERS OPEB Plan), and (2) a single employer defined benefit healthcare plan (Charter School OPEB Plan). The Charter School's aggregate net OPEB liability and deferred outflows and inflows of resources related to OPEB at June 30, 2021 are as follows:

<u>Plan</u>	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PSERS OPEB Plan	\$ 1,210,000	\$ 453,401	\$ 27,000
Charter School OPEB Plan	<u>599,417</u>	<u>105,389</u>	<u>235,180</u>
Total	<u>\$ 1,809,417</u>	<u>\$ 558,790</u>	<u>\$ 262,180</u>

PSERS OPEB Plan

General Information About the PSERS OPEB Plan

Health Insurance Premium Assistance Program

PSERS (the System) provides Premium Assistance which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Premium Assistance Eligibility Criteria

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the Health Option Program or employer-sponsored health insurance program.

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.

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, 2020, 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, 2021, was 0.82% 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 \$76,401 for the year ended June 30, 2021.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

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

At June 30, 2021, the Charter School reported a liability of \$1,210,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The 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, 2021, the Charter School's proportion was 0.0560% which was an increase of 0.0037% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the Charter School recognized OPEB expense of \$138,473. At June 30, 2021, the Charter School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 11,000	\$ -
Changes of assumptions	49,000	-
Net difference between projected and actual investment earnings	2,000	-
Changes in proportion	315,000	27,000
Contributions made subsequent to the measurement date	76,401	-
	<u>\$ 453,401</u>	<u>\$ 27,000</u>

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

The \$76,401 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, 2022. 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:

2022	\$	79,000
2023		79,000
2024		79,000
2025		64,000
2026		34,000
Thereafter		<u>15,000</u>
	\$	<u>350,000</u>

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.66% - 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%

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

Actuarial Assumptions - continued

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- 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.

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.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

Actuarial Assumptions - continued

The PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020 is:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.3%	(1.0%)
US Core fixed income	46.5%	(0.1%)
Non-US developed fixed	3.2%	(0.1%)
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 2.66%. 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 2.66% which represents the S&P 20-year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability. The discount rate decreased from 2.79% as of June 30, 2019.

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, 2020, 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, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted in the next section.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

Sensitivity of the Charter School's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates - continued

The following presents the Charter School's proportionate share of the net OPEB liability for the June 30, 2020 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	\$ 1,210,000	\$ 1,210,000	\$ 1,210,000

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 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (1.66%) or one-percentage point higher (3.66%) than the current rate:

	<u>1% Decrease 1.66%</u>	<u>Current Discount Rate 2.66%</u>	<u>1% Increase 3.66%</u>
Charter School's proportionate share of the net OPEB liability	\$ 1,380,000	\$ 1,210,000	\$ 1,070,000

OPEB Plan Fiduciary Net Position

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

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

Payables Related to the Plan

At June 30, 2021, the Charter School had an accrued balance due to PSERS of \$881,301, including balances related to pension and OPEB. This amount represents the Charter School’s contractually obligated contributions for wages earned in April 2021 through June 2021.

Charter School OPEB Plan

General Information About the Charter School OPEB Plan

Plan Description

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

Benefits Provided

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

CEO/Director

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Act 110/43 requirements of PSERS Retirement with 10 years of service with 21CCCS	<u>Coverage</u> Medical, Prescription Drug, Dental, and Vision Insurance <u>Premium Sharing</u> The Board will pay the costs of medical, prescription drug, vision and dental for the CEO/Director and spouse. <u>Dependents</u> Spouse included	Member and spouse coverage is provided until the earlier of Member attaining age 65 or Member Medicare Age.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

Charter School OPEB Plan - continued

General Information About the Charter School OPEB Plan - continued

Benefits Provided - continued

Administrators

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

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

Charter School OPEB Plan - continued

General Information About the Charter School OPEB Plan - continued

Benefits Provided - continued

Administrators - continued

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

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

Charter School OPEB Plan - continued

General Information About the Charter School OPEB Plan - continued

Benefits Provided - continued

Support + Professional Staffing

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

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

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

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

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

PSERS Retirement:

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

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

Charter School OPEB Plan - continued

General Information About the Charter School OPEB Plan - continued

Benefits Provided - continued

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

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

Employees Covered by Benefit Terms

At July 1, 2020, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

Active participants	147
Vested former participants	-
Retired participants	-
	<hr/>
Total	147
	<hr/> <hr/>

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

Charter School OPEB Plan - continued

OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability as of July 1, 2020, was determined by rolling forward the Charter School's total OPEB liability as of July 1, 2019 to July 1, 2020, using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method - Entry Age Normal.
- Salary increases - 2.50% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Discount rate - 1.86% - based on the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index at July 1, 2020.
- Mortality rates - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- Healthcare cost trend rates - 5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - 100% of administrators and 40% of professional and support staff are assumed to elect coverage.

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

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

Charter School OPEB Plan - continued

Changes in the Total OPEB Liability

Balance at June 30, 2020	<u>\$ 490,316</u>
Changes for the year:	
Service cost	108,992
Interest	20,069
Differences between expected and actual experience	(112,678)
Changes of assumptions or other inputs	96,434
Benefit payments	<u>(3,716)</u>
Net changes	<u>109,101</u>
Balance at June 30, 2021	<u><u>\$ 599,417</u></u>

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 3.36% to 1.86% and (2) the trend assumption was updated.

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

The following presents the total OPEB liability of the Charter School, as well as what the Charter School's total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (0.86%) or one-percentage point higher (2.86%) than the current discount rate:

	<u>1% Decrease (0.86%)</u>	<u>Current Discount Rate (1.86%)</u>	<u>1% Increase (2.86%)</u>
OPEB Plan - Total OPEB liability	\$ 667,244	\$ 599,417	\$ 536,786

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

Charter School OPEB Plan - continued

Changes in the Total OPEB Liability - continued

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

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
OPEB Plan - Total OPEB liability	\$ 494,622	\$ 599,417	\$ 729,010

At June 30, 2021, the Charter School reported an OPEB liability of \$599,417 related to the OPEB Plan. The OPEB liability was measured as of July 1, 2020, and was determined by an actuarial valuation performed as of July 1, 2020.

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

For the year ended June 30, 2021, the Charter School recognized OPEB expense of \$121,992. At June 30, 2021, the Charter School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 214,643
Changes of assumptions	105,389	20,537
	<u>\$ 105,389</u>	<u>\$ 235,180</u>

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 8 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

Charter School OPEB Plan - continued

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB - continued

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:

2022	\$	(7,069)
2023		(7,069)
2024		(7,069)
2025		(7,069)
2026		(7,069)
Thereafter		<u>(94,446)</u>
Total	\$	<u><u>(129,791)</u></u>

NOTE 9 - RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for unemployment compensation, for which the Charter School retains risk of loss. For insured programs, there were no significant reductions in insurance coverages for the 2020/2021 school year. Settlement amounts have not exceeded insurance coverage for the current year and three prior years.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 10 - COMMITMENTS

Effective December 1, 2016, the Charter School entered into a lease agreement for the rental of classroom and office space for a term of five years. In May of 2021 the lease was extended for an additional 5 years, adding additional space. The lease contains an option to renew for 2 additional 5-year terms. The Charter School also leases various technology with annual payments due. Minimum future rental payments under the original terms of the operating lease and amendment for the years ending June 30 are as follows:

2022	\$ 1,284,622
2023	684,790
2024	689,328
2025	236,056
2026	240,777
2027	<u>101,150</u>
Total minimum future rental payments	<u>\$ 3,236,723</u>

Rent expense for the year ended June 30, 2021, approximated \$1,239,690.

NOTE 11 - FUND BALANCE

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, 2021, were as follows:

Nonspendable:	
Prepaid expenditures	\$ 534,078
Committed:	
Future capital projects	6,248,842
Technology initiatives	3,580,000
New initiatives fund	3,176,405
Program contingency fund	2,500,000
Assigned:	
PSERS retirement rate increases	241,661
Health insurance rate increases	131,697
Unassigned	<u>1,439,722</u>
Total fund balances	<u>\$ 17,852,405</u>

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

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS

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. 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

21st CENTURY CYBER CHARTER SCHOOL

**BUDGETARY COMPARISON SCHEDULE FOR THE
GENERAL FUND**

For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Local sources	\$ 22,532,635	\$ 22,532,635	\$ 36,339,560	\$ 13,806,925
State sources	51,248	51,248	32,623	(18,625)
Federal sources	-	-	74,680	74,680
TOTAL REVENUES	22,583,883	22,583,883	36,446,863	13,862,980
EXPENDITURES				
INSTRUCTIONAL SERVICES:				
Regular programs - elementary/secondary	8,671,842	9,983,707	9,983,707	-
Special programs - elementary/secondary	2,058,718	2,452,574	2,452,574	-
Other instructional programs - elementary/secondary	175,607	184,963	184,963	-
TOTAL INSTRUCTIONAL SERVICES	10,906,167	12,621,244	12,621,244	-
SUPPORT SERVICES:				
Students	1,316,259	1,437,426	1,437,426	-
Instructional staff	2,114,544	2,080,686	2,080,686	-
Administration	3,285,440	1,611,946	1,611,946	-
Pupil health	252,773	263,209	263,209	-
Business services	946,012	662,081	662,081	-
Operation and maintenance of plant Central	1,431,848	1,039,619	1,039,619	-
	1,448,482	1,356,956	1,356,956	-
TOTAL SUPPORT SERVICES	10,795,358	8,451,923	8,451,923	-
OPERATION OF NONINSTRUCTIONAL SERVICES:				
Student activities	166,099	120,153	120,153	-
CAPITAL OUTLAY	500,000	354,205	-	354,205
DEBT SERVICE PAYMENTS	216,259	1,036,358	1,036,358	-
TOTAL EXPENDITURES	22,583,883	22,583,883	22,229,678	354,205
REVENUES OVER EXPENDITURES	\$ -	\$ -	14,217,185	\$ 14,217,185
FUND BALANCE - BEGINNING OF YEAR			3,635,220	
FUND BALANCE - END OF YEAR			\$ 17,852,405	

See note to required supplementary information.

21st CENTURY CYBER CHARTER SCHOOL

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

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 2020/2021 budget transfers.

Excess of Expenditures Over Appropriations in Individual Funds

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

Budgetary Compliance

The Charter School's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The Charter School cancels all purchase orders open at year end; therefore, it does not have any outstanding encumbrances at June 30, 2021. 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.

21st CENTURY CYBER CHARTER SCHOOL

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

LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014
Charter School's proportion of the collective net pension liability	0.0561%	0.0523%	0.0474%	0.0388%	0.0313%	0.0296%	0.0309%	0.0279%
Charter School's proportionate share of the collective net pension liability	\$ 27,623,000	\$ 24,467,000	\$ 22,754,000	\$ 19,163,000	\$ 15,511,000	\$ 12,822,000	\$ 12,230,000	\$ 11,422,000
Charter School's covered payroll	\$ 7,853,279	\$ 7,218,830	\$ 6,383,878	\$ 5,170,698	\$ 4,059,874	\$ 3,803,141	\$ 3,937,654	\$ 3,580,336
Charter School's proportionate share of the net pension liability as a percentage of its covered payroll	351.74%	338.93%	356.43%	370.61%	382.06%	337.14%	310.59%	319.02%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.50%

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

NOTES TO SCHEDULE

Changes of Benefit Terms for the fiscal year ended June 30, 2021
None.

Change of Assumptions for the fiscal year ended June 30, 2021
None.

This schedule is to present 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.

21st CENTURY CYBER CHARTER SCHOOL

SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PENSION PLAN

LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 3,122,173	\$ 2,639,914	\$ 2,367,496	\$ 2,042,783	\$ 1,521,325	\$ 1,040,962	\$ 824,109	\$ 630,616	\$ 410,841	\$ 270,256
Contributions in relation to the contractually required contribution	<u>3,122,173</u>	<u>2,639,914</u>	<u>2,367,496</u>	<u>2,042,783</u>	<u>1,521,325</u>	<u>1,040,962</u>	<u>824,109</u>	<u>630,616</u>	<u>410,841</u>	<u>270,256</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
Charter School's covered payroll	<u>\$ 9,149,528</u>	<u>\$ 7,853,279</u>	<u>\$ 7,218,830</u>	<u>\$ 6,383,878</u>	<u>\$ 5,170,698</u>	<u>\$ 4,059,874</u>	<u>\$ 3,803,141</u>	<u>\$ 3,937,654</u>	<u>\$ 3,580,336</u>	
Contributions as a percentage of covered payroll	34.12%	33.62%	32.80%	32.00%	29.42%	25.64%	21.67%	16.02%	11.47%	

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.

21ST CENTURY CYBER CHARTER SCHOOL

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

LAST TEN FISCAL YEARS

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

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

NOTES TO SCHEDULE

Changes of Benefit Terms for the fiscal year ended June 30, 2021

None.

Changes of Assumptions for the fiscal year ended June 30, 2021

Significant changes of assumptions for the June 30, 2020 measurement date are as follows:

- The discount rate changed from 2.79% to 2.66%

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.

21st CENTURY CYBER CHARTER SCHOOL

SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PSERS OPEB PLAN

LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 76,401	\$ 66,473	\$ 60,277	\$ 53,419	\$ 43,243	\$ 34,976	\$ 36,180	\$ 36,655	\$ 30,724	\$ 21,958
Contributions in relation to the contractually required contribution	<u>76,401</u>	<u>66,473</u>	<u>60,277</u>	<u>53,419</u>	<u>43,243</u>	<u>34,976</u>	<u>36,180</u>	<u>36,655</u>	<u>30,724</u>	<u>21,958</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
Charter School's covered payroll	<u>\$ 9,149,528</u>	<u>\$ 7,853,279</u>	<u>\$ 7,218,830</u>	<u>\$ 6,383,878</u>	<u>\$ 5,170,698</u>	<u>\$ 4,059,874</u>	<u>\$ 3,803,141</u>	<u>\$ 3,937,654</u>	<u>\$ 3,580,336</u>	
Contributions as a percentage of covered payroll	0.84%	0.85%	0.83%	0.84%	0.84%	0.86%	0.95%	0.93%	0.86%	

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.

21st CENTURY CYBER CHARTER SCHOOL

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

LAST TEN FISCAL YEARS

	2021	2020	2019	2018
Total OPEB Liability:				
Service cost	\$ 108,992	\$ 109,307	\$ 91,917	\$ 87,681
Interest	20,069	14,804	15,855	9,773
Changes of benefit terms	-	-	(4,651)	-
Differences between expected and actual experience	(112,678)	-	(125,220)	-
Changes of assumptions	96,434	(21,252)	(1,528)	16,559
Benefit payments	(3,716)	-	(7,737)	-
	<u>109,101</u>	<u>102,859</u>	<u>(31,364)</u>	<u>114,013</u>
Net change in total OPEB liability				
Total OPEB liability, beginning	<u>490,316</u>	<u>387,457</u>	<u>418,821</u>	<u>304,808</u>
Total OPEB liability, ending	<u>\$ 599,417</u>	<u>\$ 490,316</u>	<u>\$ 387,457</u>	<u>\$ 418,821</u>
Covered Employee Payroll	<u>\$ 8,744,575</u>	<u>\$ 7,304,223</u>	<u>\$ 7,304,223</u>	<u>\$ 4,834,351</u>
Total OPEB Liability as a Percentage of Covered Employee Payroll	6.85%	6.71%	5.30%	8.66%

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

Significant changes in assumptions for the July 1, 2020 measurement date are as follows:

- The discount rate changed from 3.36% to 1.86%.
- The trend assumption was updated

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

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

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



Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
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 Trustees
21st Century Cyber Charter School
West Chester, Pennsylvania**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the , as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the 's basic financial statements and have issued our report thereon dated December 14, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the '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 the 's internal control. Accordingly, we do not express an opinion on the effectiveness of the '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 the '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
December 14, 2021