



PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees
Pennsylvania STEAM Academy Charter School
Harrisburg, Pennsylvania**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Pennsylvania STEAM Academy Charter School, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Pennsylvania STEAM Academy Charter School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Pennsylvania STEAM Academy Charter School, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pennsylvania STEAM Academy Charter School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule for the general fund, and pension and other postemployment benefit information on pages 62 through 65, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2025, on our consideration of Pennsylvania STEAM Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pennsylvania STEAM Academy 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 Pennsylvania STEAM Academy Charter School's internal control over financial reporting and compliance.

Herbein + Company, Inc.

**Reading, Pennsylvania
March 3, 2025**



**Pennsylvania STEAM Academy Charter School
Management's Discussion and Analysis
June 30, 2024**

The Management of Pennsylvania STEAM Academy Charter School (PA STEAM or the School) has prepared this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2024. The information presented here should be read and considered in conjunction with the School's financial statements.

Financial Highlights

For fiscal year 2023-2024, PA STEAM adopted a general fund budget in the amount of \$4,360,887. Actual general fund revenues were \$4,764,488. Actual general fund expenditures were \$4,303,952. This resulted in a general fund surplus from operations of \$460,536 for the year. The School also received other financing proceeds from the issuance of long-term leases totaling \$70,900 during the 2023-24 school year. This additional revenue stream in conjunction with the general fund operational surplus of \$460,536 and activity in the capital projects and debt service funds yielded a governmental fund deficit of \$136,998. The beginning fund balance of \$1,790,491 in addition to the deficit of \$136,998 results in a total governmental fund balance of \$1,653,493.

The School's cash balance at June 30, 2024 was \$743,256. Restricted cash and investments totaled \$1,205,328. School receivables consist of \$329,212 from other Local Education Agencies, \$212,884 in federal receivables, and \$29,616 in other receivables. Prepaids include insurance and property expenditures totaling \$22,057. Total cash, receivables, and prepaids amount to \$1,337,160, excluding restricted cash and investments.

General fund payables of \$285,912 and accrued expenditures of \$348,918 combine with other liabilities for total general fund liabilities of \$840,411.

The School accounts for its food service operation in a proprietary fund, which reports functions presented as business-type activities in the government-wide financial statements. Total expenses were \$385,989 outpacing revenues of \$339,694, which impacts net position by (\$46,295), before transfers in from the general fund.

Effective July 1, 2021, the Charter School adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. The adoption of this standard resulted in the reporting of right-to-use lease assets and a lease payable on the government-wide statements.

Government-wide governmental activities net position decreased by \$768,098 in the current year, bringing the ending net position (deficit) to (\$1,951,256). Business-Type Activities net position decreased by \$35,677 in the current year. Total net position (deficit) of the school at June 30, 2024 was (\$1,961,957).

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 governmental fund statements indicate how basic services such as regular and special education were financed in the short-term as well as indicate future spending plans. Proprietary fund statements offer short-term and long-term financial information about the activities the School operates like a business, such as food services.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the governmental and fund financial statements. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School's budget for the year.

Figure 1 shows how the various parts of this annual report are arranged and related to one another.

Figure 1

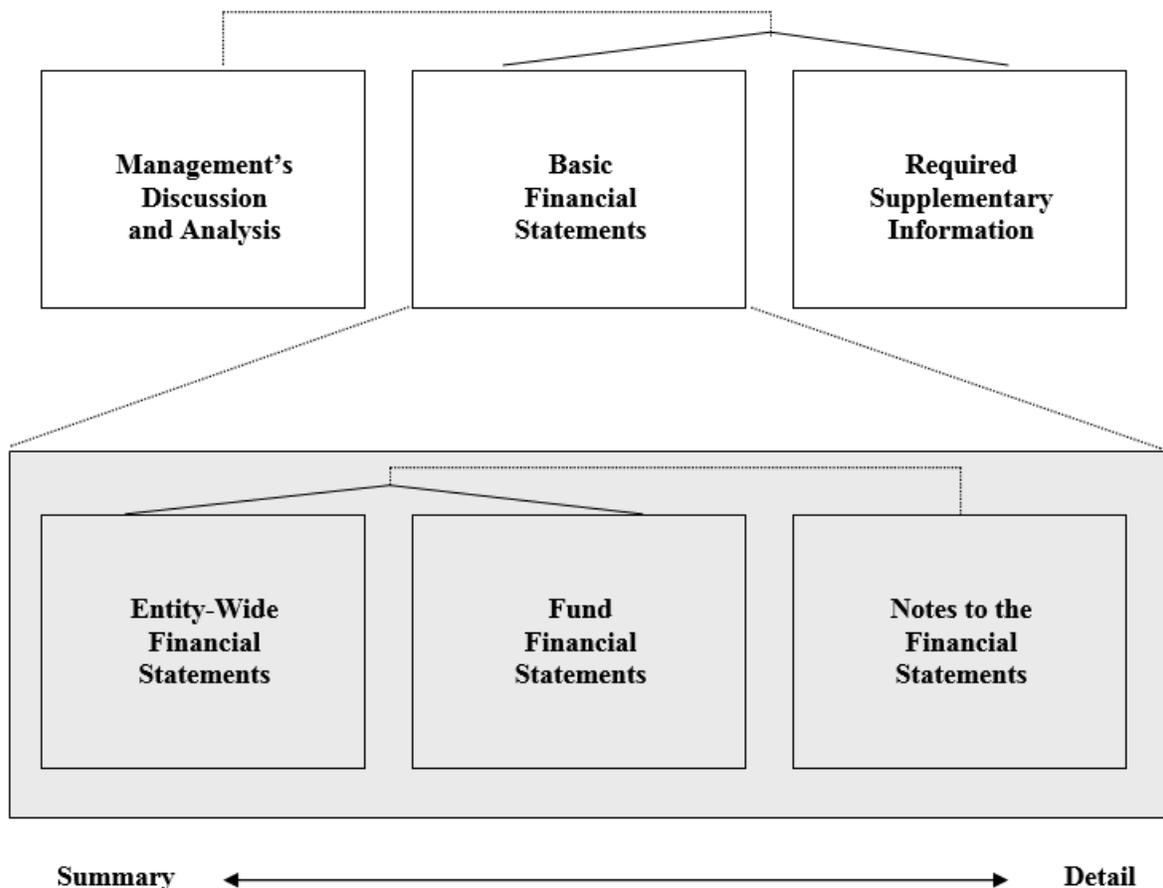


Figure 2 summarizes the major features of the School's financial statements, including the portion of School activity they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the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

Figure 2

<u>Major Features of the Government-Wide and Fund Financial Statements</u>			
	Government-wide Statements	Fund Financial Statements	
		Governmental Fund	Proprietary Fund
Scope	Entire School (except fiduciary funds)	Activities of the School that are not proprietary or fiduciary, such as general operating and capital projects	Activities the School operates similar to private businesses, such as food services
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flow
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic 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	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or noncurrent liabilities included	All assets and liabilities, both financial and capital, current and noncurrent
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

Government-Wide Statements

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

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

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

Both statements report two activities:

- **Governmental Activities** - contain the basic services of the School, such as regular and special education and operation and maintenance of plant services, as well as the tuition revenue and federal and state grants which generally finance these programs.
- **Business-Type Activities** - The School charges fees to cover the costs of business-type services it provides. For food service operations, these consist of charges for meal purchases, and federal and state subsidies.

Fund Financial Statements

The fund financial statements provide more detailed information about the major individual funds of the School. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to keep track of specific sources of funding and spending for particular programs. The School funds are divided into two categories: governmental and proprietary.

- **Governmental Fund** - Most of the School's basic services are included in the governmental fund that focuses on how money flows into and out of the fund and the balance left at the year-end for future spending. The governmental fund financial statements provide a detailed short-term view of the general operations and the basic services provided and provide some direction as to whether there will be more or fewer resources that can be spent in the near future to finance the School's programs.
- **Proprietary Fund (Enterprise)** - Services for which the School charges a fee are generally reported in the proprietary fund and utilize the accrual accounting method - the same method used by private sector businesses.

Government-Wide Financial Analysis

The Statement of Net Position contains information about what the School's assets, liabilities, deferred inflows and outflows of resources, and net position. Management has adopted Governmental Accounting Standards Board (GASB) Statement No. 34 which requires an analysis of current and prior periods. Figure 3 shows a summary of the School's net position for the year ended June 30, 2024 and 2023.

Figure 3
Comparative Statement of Net Position Summary
June 30, 2024

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current assets	\$ 1,288,576	\$ 971,702	\$ 48,584	\$ 40,884	\$ 1,337,160	\$ 1,012,586
Capital assets, net	8,435,761	8,483,717	-	-	8,435,761	8,483,717
Assets restricted as to use	1,205,328	1,198,060	-	-	1,205,328	1,198,060
Deferred outflows of resources	2,778,249	1,687,224	-	-	2,778,249	1,687,224
Total assets & deferred outflows	13,707,914	12,340,703	48,584	40,884	13,756,498	12,381,587
Current liabilities	840,411	379,271	59,285	15,908	899,696	395,179
Accrued Interest	350,356	350,354	-	-	350,356	350,354
Noncurrent liabilities due within one year	16,384	4,061	-	-	16,384	4,061
Noncurrent liabilities	14,386,019	12,735,175	-	-	14,386,019	12,735,175
Deferred inflows of resources	66,000	55,000	-	-	66,000	55,000
Total liabilities & deferred inflows	15,659,170	13,523,861	59,285	15,908	15,718,455	13,539,769
Net invested in capital assets	(611,924)	(507,136)	-	-	(611,924)	(507,136)
Restricted for purpose	12,679	-	-	-	12,679	-
Unrestricted (deficit)	(1,352,011)	(676,022)	(10,701)	24,976	(1,362,712)	(651,046)
Total net position (deficit)	(1,951,256)	(1,183,158)	(10,701)	24,976	(1,961,957)	(1,158,182)
Total liabilities, deferred inflows & net	\$ 13,707,914	\$ 12,340,703	\$ 48,584	\$ 40,884	\$ 13,756,498	\$ 12,381,587

The level of assets, liabilities, and net position are a result of the full scale educational operation. The fiscal year being reported is the fourth year of a five year charter.

Government-Wide Financial Analysis - continued

The results of operations for the fiscal year ended June 30, 2024 as a whole are reported in the Statement of Activities. Figure 4 is a summary of changes in net position for the year ended June 30, 2024.

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

**Figure 4
 Comparative Statement of Activities Summary
 June 30, 2024**

	<u>Governmental</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues			
Program Revenues			
Local educational agency assistance	\$ 4,134,567	\$ -	\$ 4,134,567
Operating grants & contributions	554,918	339,694	894,612
General Revenues	<u>122,902</u>	<u>-</u>	<u>122,902</u>
Total revenues	4,812,387	339,694	5,152,081
Expenditures			
Instruction	3,226,386	-	3,226,386
Support services	1,627,254	-	1,627,254
Non-instructional services	13,342	385,989	399,331
Interest on long-term debt	<u>702,885</u>	<u>-</u>	<u>702,885</u>
Total expenditures	5,569,867	385,989	5,955,856
Transfers	<u>(10,618)</u>	<u>10,618</u>	<u>-</u>
Change in net position	(768,098)	(35,677)	(803,775)
Net position (deficit), beginning	<u>(1,183,158)</u>	<u>24,976</u>	<u>(1,158,182)</u>
Net position (deficit), ending	<u>\$ (1,951,256)</u>	<u>\$ (10,701)</u>	<u>\$ (1,961,957)</u>

Figure 4
Comparative Statement of Activities Summary
June 30, 2023

	<u>Governmental</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues			
Program Revenues			
Local educational agency assistance	\$ 2,658,088	\$ -	\$ 2,658,088
Operating grants & contributions	991,791	122,617	1,114,408
General Revenues	80,805	-	80,805
Total revenues	<u>3,730,684</u>	<u>122,617</u>	<u>3,853,301</u>
Expenditures			
Instruction	2,012,219	-	2,012,219
Support services	1,737,860	-	1,737,860
Non-instructional services	4,498	168,099	172,597
Interest on long-term debt	647,930	-	647,930
Total expenditures	<u>4,402,507</u>	<u>168,099</u>	<u>4,570,606</u>
Transfers	<u>(135,643)</u>	<u>135,643</u>	<u>-</u>
Change in net position	(807,466)	90,161	(717,305)
Net position (deficit), beginning	<u>(375,692)</u>	<u>(65,185)</u>	<u>(440,877)</u>
Net position (deficit), ending	<u>\$ (1,183,158)</u>	<u>\$ 24,976</u>	<u>\$ (1,158,182)</u>

The School's revenues are predominately local school district funds based on student enrollment in addition to both grants and contributions and miscellaneous general revenues. For the year ended June 30, 2024, the School's total revenues of \$5,152,081 and expenditures of \$5,955,856 resulted in a decrease in net position at the end of the year by \$803,775.

Figure 5
Net Cost (Income) of Governmental Activities
Fiscal Year Ended June 30, 2024

	<u>Total Cost of Services</u>	<u>Net Cost (Income) of Services</u>
Instruction	\$ 3,226,386	\$ 145,479
Instructional student support	555,973	4,499
Administrative and financial support services	543,062	(165,119)
Operation and maintenance of plant services	528,219	193,912
Non-instructional	13,342	(1,274)
Debt service	<u>702,885</u>	<u>702,885</u>
 Total	 <u>\$ 5,569,867</u>	 <u>\$ 880,382</u>

Figure 6
Net Cost of Business-Type Activities
Fiscal Year Ended June 30, 2024

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Food Services	<u>\$ 339,694</u>	<u>\$ 46,295</u>

Figure 5
Net Cost (Income) of Governmental Activities
Fiscal Year Ended June 30, 2023

	<u>Total Cost of Services</u>	<u>Net Cost (Income) of Services</u>
Instruction	\$ 2,012,219	\$ 242,676
Instructional student support	251,803	33,301
Administrative and financial support services	1,071,133	541,760
Operation and maintenance of plant services	414,924	(146,696)
Non-instructional	4,498	556
Debt service	<u>647,930</u>	<u>81,031</u>
 Total	 <u>\$ 4,402,507</u>	 <u>\$ 752,628</u>

Figure 6
Net Cost of Business-Type Activities
Fiscal Year Ended June 30, 2023

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Food Services	<u>\$ 168,099</u>	<u>\$ 45,482</u>

Governmental Funds Financial Analysis

The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year. The School's governmental funds reported an ending fund balance of \$1,653,493. Of the ending fund balance, \$22,057 is non-spendable and \$1,218,007 is restricted.

Budget Variations - General Fund

The actual revenues came up short to budgeted amounts by \$666,899 primarily because the timing of the expenditures of the planning grant that was moved forward into the subsequent fiscal year.

Total budgeted expenditures, excluding other financing uses, tracked fairly closely to actual amounts, with a variance of only \$56,935, amounting to approximately 1.3% of the annual budget.

Capital Assets

As of June 30, 2024, the School's investment in capital assets for its governmental activities totaled \$8,435,761 (net of accumulated depreciation and amortization). This investment in capital assets exclusively consists of the school's building, equipment & furniture. Additional information on the School's capital assets can be found in Note 6 of this report.

Long-Term Debt

Outstanding long-term debt totaling \$11,294,403 as of June 30, 2024, consists of bonds payable of \$11,230,000 with maturities through July 2057 and leases payable of \$64,403. Additional information on the School's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The School's primary source of revenue, tuitions received from local school districts, are expected to continue to grow with the addition of a Grade 2 and Grade 5 class in the 2024-25 school year. Economic factors affecting the School's budget will include the cost of staffing to our increased enrollment levels, the increased cost of health insurance, the continual increase of PSERS employer contribution rates, and potential State budget cuts. Fluctuations in future enrollment and staffing changes could also financially impact the School.

During 2023-24 school year and going forward, the School will continue investing in security enhancements, curriculum, and educational technology.

Furthermore, the School was awarded a number of significant grants to be utilized in the current 2023-24 school year and beyond. First, the School received a three year \$1.5 million federally funded Charter School Development Grant. This grant will be used for (among other things) curriculum expansion, building security enhancements, and furniture and other equipment purchases as we expand the school into additional grades. Second, the School received a \$300,000 state funded grant through the state legislature, which will be used for technology and other general operating expenses. Finally, the School received a state funded \$1.3 million RCAP grant, which will be used to construct a physical education and recreational space on the building roof, providing our students a unique educational opportunity in a downtown urban environment. These grant awards will strengthen the financial position of the School as well as enhance our ability to provide an exceptional educational program in our market.

Contacting the School's Financial Management

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to the CEO, The Pennsylvania STEAM Academy Charter School, 1500 N 3rd Street, Harrisburg, PA 17102.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

STATEMENT OF NET POSITION

June 30, 2024

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and investments	\$ 743,256	\$ -	\$ 743,256
Restricted cash and investments	1,205,328	-	1,205,328
Intergovernmental receivables	523,128	48,584	571,712
Other receivables	135	-	135
Prepaid expenses	22,057	-	22,057
Capital assets:			
Capital assets not being depreciated	88,596	-	88,596
Capital assets, net of accumulated depreciation	8,283,651	-	8,283,651
Right-to-use assets, net of accumulated amortization	63,514	-	63,514
TOTAL ASSETS	10,929,665	48,584	10,978,249
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources for pension	2,648,646	-	2,648,646
Deferred outflows of resources for other postemployment benefits	129,603	-	129,603
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,778,249	-	2,778,249
LIABILITIES			
Accounts payable	285,912	59,285	345,197
Accrued salaries and benefits	348,918	-	348,918
Accrued interest	350,356	-	350,356
Unearned revenues	171,561	-	171,561
Other current liabilities	34,020	-	34,020
Noncurrent liabilities due within one year	16,384	-	16,384
Noncurrent liabilities:			
Bonds payable	11,230,000	-	11,230,000
Leases payable	48,019	-	48,019
Net pension liability	2,981,000	-	2,981,000
Net other postemployment benefit liability	127,000	-	127,000
TOTAL LIABILITIES	15,593,170	59,285	15,652,455
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pension	41,000	-	41,000
Deferred inflows of resources for other postemployment benefits	25,000	-	25,000
TOTAL DEFERRED INFLOWS OF RESOURCES	66,000	-	66,000
NET POSITION			
Net investment in capital assets	(611,924)	-	(611,924)
Restricted for purpose	12,679	-	12,679
Unrestricted (deficit)	(1,352,011)	(10,701)	(1,362,712)
TOTAL NET POSITION (DEFICIT)	\$ (1,951,256)	\$ (10,701)	\$ (1,961,957)

See note to required supplementary information.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2024

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
Instruction	\$ 3,226,386	\$ 2,647,640	\$ 433,267	\$ -	\$ (145,479)	\$ -	\$ (145,479)
Instructional student support	555,973	491,622	59,852	-	(4,499)	-	(4,499)
Administrative and financial support services	543,062	708,181	-	-	165,119	-	165,119
Operation and maintenance of plant services	528,219	276,280	58,027	-	(193,912)	-	(193,912)
Student activities	13,342	10,844	3,772	-	1,274	-	1,274
Interest on long-term debt	702,885	-	-	-	(702,885)	-	(702,885)
Total Governmental Activities	5,569,867	4,134,567	554,918	-	(880,382)	-	(880,382)
Business-Type Activities:							
Food services	385,989	-	339,694	-	-	(46,295)	(46,295)
Total Primary Government	\$ 5,955,856	\$ 4,134,567	\$ 894,612	\$ -	(880,382)	(46,295)	(926,677)
General Revenues							
Investment earnings					55,884	-	55,884
Miscellaneous income					67,018	-	67,018
Transfers					(10,618)	10,618	-
Total General Revenues and Transfers					112,284	10,618	122,902
Change in Net Position					(768,098)	(35,677)	(803,775)
Net Position (Deficit) - Beginning of Year					(1,183,158)	24,976	(1,158,182)
Net Position (Deficit) - End of Year					\$ (1,951,256)	\$ (10,701)	\$ (1,961,957)

See note to required supplementary information.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2024

	General Fund	Capital Projects	Debt Service	Total Governmental Funds
ASSETS				
Cash and investments	\$ 743,256	\$ -	\$ -	\$ 743,256
Restricted cash and investments	-	-	1,205,328	1,205,328
Intergovernmental receivables	523,128	-	-	523,128
Other receivables	135	-	-	135
Prepaid expenditures	22,057	-	-	22,057
TOTAL ASSETS	\$ 1,288,576	\$ -	\$ 1,205,328	\$ 2,493,904
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 285,912	\$ -	\$ -	\$ 285,912
Accrued salaries and benefits	348,918	-	-	348,918
Other current liabilities	34,020	-	-	34,020
Unearned revenues	171,561	-	-	171,561
TOTAL LIABILITIES	840,411	-	-	840,411
FUND BALANCES				
Nonspendable	22,057	-	-	22,057
Restricted	12,679	-	1,205,328	1,218,007
Unassigned	413,429	-	-	413,429
TOTAL FUND BALANCES	448,165	-	1,205,328	1,653,493
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,288,576	\$ -	\$ 1,205,328	\$ 2,493,904

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

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

June 30, 2024

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

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS		\$ 1,653,493
Capital assets and right-to-use 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 \$9,035,622 and the accumulated depreciation and amortization is \$599,861.		8,435,761
Long-term liabilities, including bonds and leases payable, 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:		
Bonds payable	\$ (11,230,000)	
Leases payable	(64,403)	
Accrued interest on bonds	<u>(350,356)</u>	(11,644,759)
The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.		(373,354)
The net other postemployment benefit liability and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements.		<u>(22,397)</u>
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES		<u><u>\$ (1,951,256)</u></u>

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

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

For the Year Ended June 30, 2024

	General Fund	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Local sources	\$ 4,313,224	\$ -	\$ 47,899	\$ 4,361,123
State sources	252,377	-	-	252,377
Federal sources	198,887	-	-	198,887
TOTAL REVENUES	4,764,488	-	47,899	4,812,387
EXPENDITURES				
Current:				
Instructional services	2,827,192	-	-	2,827,192
Support services	1,452,514	-	5,000	1,457,514
Operation of noninstructional services	13,577	-	-	13,577
Debt service:				
Principal	8,501	-	-	8,501
Interest	2,168	17,235	683,480	702,883
TOTAL EXPENDITURES	4,303,952	17,235	688,480	5,009,667
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	460,536	(17,235)	(640,581)	(197,280)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of leases	70,900	-	-	70,900
Transfers in	-	-	647,849	647,849
Transfers out	(658,467)	-	-	(658,467)
TOTAL OTHER FINANCING SOURCES (USES)	(587,567)	-	647,849	60,282
NET CHANGES IN FUND BALANCES	(127,031)	(17,235)	7,268	(136,998)
FUND BALANCES - BEGINNING OF YEAR	575,196	17,235	1,198,060	1,790,491
FUND BALANCES - END OF YEAR	\$ 448,165	\$ -	\$ 1,205,328	\$ 1,653,493

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

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

For the Year Ended June 30, 2024

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

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS \$ (136,998)

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 and amortization expense.

Capital outlays	\$ 272,436	
Less: depreciation and amortization expense	(315,344)	
Less: loss on modification/disposal	<u>184</u>	(42,724)

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

Issuance of leases	(70,900)	
Repayment of lease principal	<u>8,501</u>	(62,399)

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. (2)

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

Net pension liability and related deferred outflows and inflows	(507,328)	
Net OPEB liability and related deferred outflows and inflows	<u>(18,647)</u>	<u>(525,975)</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ (768,098)

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2024

	<u>Enterprise Fund Food Service</u>
ASSETS	
CURRENT ASSETS	
Intergovernmental receivables	\$ 48,584
	<u>48,584</u>
TOTAL ASSETS	<u>48,584</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	59,285
	<u>59,285</u>
TOTAL LIABILITIES	<u>59,285</u>
NET POSITION	
Unrestricted	<u>(10,701)</u>
TOTAL NET POSITION (DEFICIT)	<u><u>\$ (10,701)</u></u>

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND

For the Year Ended June 30, 2024

	Enterprise Fund Food Service
OPERATING EXPENSES	
Contracted services	\$ 385,989
TOTAL OPERATING EXPENSES	385,989
OPERATING LOSS	(385,989)
NONOPERATING REVENUES	
State sources	10,805
Federal sources	328,889
TOTAL NONOPERATING REVENUES	339,694
LOSS BEFORE TRANSFERS	(46,295)
TRANSFERS IN	10,618
CHANGE IN NET POSITION	(35,677)
NET POSITION - BEGINNING OF YEAR	24,976
NET POSITION (DEFICIT) - END OF YEAR	\$ (10,701)

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND

For the Year Ended June 30, 2024

	<u>Enterprise Fund Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to suppliers for goods and services	\$ (342,612)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	10,585
Federal sources	321,409
Transfers in	<u>10,618</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>342,612</u>
INCREASE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ -</u></u>
<u>Reconciliation of Operating Loss to Net Cash Used For Operating Activities:</u>	
Operating loss	\$ (385,989)
Changes in liabilities:	
Accounts payable	<u>43,377</u>
Total adjustments	<u>43,377</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u><u>\$ (342,612)</u></u>

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

Pennsylvania STEAM Academy Charter School (the “Charter School” or “School”) is a nonprofit corporation established pursuant to the Pennsylvania Nonprofit Corporation Law of 1988. The Charter School is chartered directly through the Pennsylvania Department of Education. The Charter commenced on July 1, 2021, and expires June 30, 2026.

The Charter School is located in Harrisburg, Pennsylvania, and was established to provide a high-quality, integrated science, technology, engineering, arts, and mathematics (STEAM) elementary school that incorporates Problem Based Learning (PBL), through sustained partnerships with higher education, after school organizations, non-profit community programs, local businesses and government agencies. The Charter School will achieve its goals and objectives in accordance with section 1714 of the Charter School Law. The Charter School will serve children in grades kindergarten to sixth grade phased in over a five year period.

The Charter School is governed by a board of trustees. The board shall be composed of not less than five and not more than nine directors, elected to serve a term of three years. The Head of the School shall also be an ex officio, non-voting member of the board.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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 legally separate entities for which the primary government is financially accountable. In addition, the primary government may determine, through the exercise of management’s professional judgment, that the inclusion of a legally separate entity that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity’s financial statements from being misleading. In such instances, a legally separate entity should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity’s financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

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

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the contributions made to any component units from the Charter School's governmental funds and transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements

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

The Charter School Reports the Following Major Governmental Funds:

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

Capital Projects Fund: This fund is established to account for financial resources to be used for the acquisition or construction of major capital equipment and facilities (other than those financed by proprietary funds).

Debt Service Fund: This fund accounts for the resources accumulated and payments made for principal and interest on general obligation debt of governmental funds.

The Charter School has the Following Major Enterprise Fund:

Food Service Fund: The food service fund is authorized under Section 504 of the Public School Code of 1949 to account for all revenues, food purchases, and costs and expenses for the food service program. The food service fund is the Charter School's only major enterprise fund where the intent of the governing body is that the costs of providing food services are covered by user charges and subsidies received.

The Charter School does not currently have any fiduciary funds.

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

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

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

D. Measurement Focus and Basis of Accounting

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations (food service). Operating expenses for proprietary funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and state subsidies are considered nonoperating revenues as no exchange transaction occurs.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected by October 31, 2025. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. If time eligibility requirements are not met, deferred inflows of resources would be recorded. All other revenue items are considered to be measurable and available only when cash is received by the Charter School.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

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 leases and other right-to-use arrangements, are reported as other financing sources.

E. Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations, except unexpended grant appropriations and encumbrances, lapse at fiscal year-end. The Charter School's 2023-2024 budget was prepared and approved by the board of directors prior to submitting the budget to the Pennsylvania Department of Education.

F. Financial Position

1. Cash and Cash Equivalents

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

2. Investments

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.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

2. Investments - continued

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

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

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

3. Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances."

4. Receivables

The intergovernmental receivables are amounts due from local school districts, the Pennsylvania Department of Education (PDE), and other governmental entities. Management evaluates the collectable nature of outstanding receivables and records an allowance if needed.

5. Prepaid Items

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

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

6. Capital Assets, Depreciation, and Amortization

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

The Charter School generally capitalizes assets with a cost of \$1,500 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. Construction in progress is stated at cost and consists primarily of costs incurred on construction projects. No provision for depreciation is made on construction in progress until the assets are complete and placed into service. Capital assets are depreciated/amortized using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

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

<u>Assets</u>	<u>Years</u>
Building and improvements	10 - 39
Furniture and equipment	5 - 7
Right-to-use lease assets	3 - 4

7. Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The Charter School periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the Charter School's long-lived assets were considered to be impaired as of June 30, 2024.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

8. 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.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Other bond issuance costs are expensed at the time the debt is issued.

In the fund financial statements, governmental fund types recognize the face amount of debt issued or incurred and any original issue premiums or discounts 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.

10. Leases

Pennsylvania STEAM Academy Charter School is a lessee for noncancellable leases of equipment. The Charter School recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

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

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

10. Leases - continued

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

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

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

Lease assets are reported with capital assets and lease liabilities are reported with noncurrent liabilities on the statement of net position.

11. Pension

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

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

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

12. Other Postemployment Benefits (OPEB)

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

PSERS OPEB Plan

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

13. 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.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

13. Deferred Outflows/Inflows of Resources - continued

Deferred outflows of resources for other postemployment benefits 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.

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 two types of items that qualify for reporting in this category:

Deferred inflows 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, 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 benefits 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, 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.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

14. Net Position and Flow Assumptions

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

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

15. Fund Balance Policies and Flow Assumptions

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

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

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

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

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

15. Fund Balance Policies and Flow Assumptions - continued

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

The Charter School shall strive to maintain an unassigned general fund balance of not less than 5% and not greater than 15% of total operating expenditures.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The Charter School's policy states in circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expensed is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and unassigned fund balance.

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.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

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. Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2024, the general fund had an excess of expenditures over budget, including transfers, of \$601,532. The excess expenditures were covered in part with existing fund balance.

C. Deficit Fund Balance or Net Position of Individual Funds

For the year ended June 30, 2024, excess expenses over revenues created a deficiency in net position at year-end of \$10,701. The Charter School will fund this deficiency in future years through excess subsidy revenue or transfers from the general fund.

NOTE 3 - CASH AND INVESTMENTS

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 carrying amount of cash, restricted cash, and investments as presented on the financial statements consist of the following at June 30, 2024:

Deposits	\$ 743,256
Restricted cash and investments	<u>1,205,328</u>
	<u>\$ 1,948,584</u>

Restricted cash and investments include funds in the amount \$1,205,328 restricted to pay debt service expenses as required by the Charter School's 2022 Bonds Loan and Trust Agreement. Under this agreement, the debt service reserve fund requirement is \$779,756 related to Series A of 2022 and \$33,682 related to Series B of 2022. Also included is a debt service fund with a balance of \$391,470 and a revenue fund with a balance of \$420. The money held as part of these funds shall be applied solely to the payment of principal and interest related to the bonds.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

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, 2024, the carrying amount of the Charter School's deposits was \$743,256 and the bank balance was \$745,638. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$495,638 was exposed to custodial credit risk but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the General Assembly.

Investments

The Charter School had the following investments in money market funds as of June 30, 2024:

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>Fair Value Level</u>
Morgan Stanley Institutional Liquidity Funds	\$ 1,205,328	N/A

Money market funds are not subject to the fair value hierarchy and are reported at amortized cost.

Interest Rate Risk

The Charter School does not have a formal investment policy that limits maturities in certain investments as a means of managing their exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Charter School does not have any investment policies that would limit their investment choices to certain credit ratings. The Morgan Stanley Institutional Liquidity Funds are rated AAAM by Standard & Poor's.

Concentration of Credit Risk

The Charter School places no limit on the amount they may invest in any one issuer.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of 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's investments are in money market funds which are not subject to custodial credit risk.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

The following schedule represents intergovernmental receivables at June 30, 2024:

	<u>General Fund</u>	<u>Enterprise Food Service</u>
Local Education Agencies	\$ 329,212	\$ -
Pennsylvania Commission on Crime and Delinquency Mental Health and School Safety Grants	28,023	-
Commonwealth of Pennsylvania:		
National School Breakfast and Lunch Program	-	48,584
Title I Grants to Local Educational Agencies	57,190	-
Supporting Effective Instruction State Grant	5,249	-
Student Support and Academic Enrichment Program	3,572	-
PA Coalition of Public Charter School Grant	84,156	-
Capital Area Intermediate Unit (Special Education Grants)	15,726	-
	<u>\$ 523,128</u>	<u>\$ 48,584</u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers are summarized as follows at June 30, 2024:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 658,467
Debt Service	647,849	-
Enterprise - Food Service	10,618	-
	<u>\$ 658,467</u>	<u>\$ 658,467</u>

Interfund transfers were made to fund pay debt service costs and subsidize food service operations.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 6 - CHANGES IN CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2024, were as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Reclass/ Decrease</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Construction in progress	\$ 88,596	\$ -	\$ -	\$ 88,596
Totals not being depreciated	<u>88,596</u>	<u>-</u>	<u>-</u>	<u>88,596</u>
Capital assets being depreciated:				
Buildings and building improvements	8,457,227	-	-	8,457,227
Furniture and equipment	217,363	201,536	-	418,899
Totals being depreciated	<u>8,674,590</u>	<u>201,536</u>	<u>-</u>	<u>8,876,126</u>
Less accumulated depreciation for:				
Buildings and building improvements	241,904	246,967	-	488,871
Furniture and equipment	44,646	58,958	-	103,604
Total accumulated depreciation	<u>286,550</u>	<u>305,925</u>	<u>-</u>	<u>592,475</u>
Total capital assets being depreciated, net	8,388,040	(104,389)	-	8,283,651
Right-to-use assets being amortized:				
Leased equipment	12,200	70,900	(12,200)	70,900
Less accumulated amortization for:				
Leased equipment	5,119	9,419	(7,152)	7,386
Total right-to-use assets being amortized, net	<u>7,081</u>	<u>61,481</u>	<u>(5,048)</u>	<u>63,514</u>
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	<u>\$ 8,483,717</u>	<u>\$ (42,908)</u>	<u>\$ (5,048) *</u>	<u>\$ 8,435,761</u>

* Disposal is included with loss on lease modification on the reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities.

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

Administrative and financial support services	\$ 68,377
Operation and maintenance of plant services	<u>246,967</u>
TOTAL DEPRECIATION AND AMORTIZATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 315,344</u>

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 7 - LONG-TERM LIABILITIES

The Charter School issues revenue bonds to fund start-up and capital expenditures. The bonds are issued on a pledge of the full faith and credit of the school. Bonds payable at June 30, 2024 were as follows:

Revenue Bonds, Series A of 2022

On August 1, 2022, the Charter School entered into an agreement with Upper Dauphin Industrial Development Authority for the issuance of Authority Revenue Bonds, Series A of 2022 in the amount of \$10,765,000. The proceeds of the bonds will be used together with other available funds, to finance the acquisition of a facility, acquire furniture, fixtures and equipment, including certain capital improvements; refinance the Charter School's non-revolving time note; fund a debt service reserve fund and capitalized interest; and pay costs of issuing the bonds. The bonds bear interest at 6.25%. Interest is payable semi-annually on January 1 and July 1, beginning January 1, 2023. Principal payments are due annually on July 1, 2029, through maturity on July 1, 2057.

\$ 10,765,000

Revenue Bonds, Series B of 2022

On August 1, 2022, the Charter School entered into an agreement with Upper Dauphin Industrial Development Authority for the issuance of Authority Revenue Bonds, Series B of 2022 in the amount of \$465,000. The proceeds of the bonds will be used together with other available funds, to finance the acquisition of a facility, acquire furniture, fixtures and equipment, including certain capital improvements; refinance the Charter School's non-revolving time note; fund a debt service reserve fund and capitalized interest; and pay costs of issuing the bonds. The bonds bear interest at 6%. Interest is payable semi-annually on January 1 and July 1, beginning January 1, 2023. Principal payments are due annually on July 1, 2026, through maturity in 2029.

465,000

Total bonds payable

\$ 11,230,000

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

The future debt service requirements for the Charter School’s bonds payable are as follows for the years ending June 30:

	Revenue Bonds, Series A of 2022	Revenue Bonds, Series B of 2022	Total Principal	Total Interest
2025	\$ -	\$ -	\$ -	\$ 700,713
2026	-	-	-	700,713
2027	-	110,000	110,000	700,713
2028	-	115,000	115,000	694,113
2029	-	125,000	125,000	687,213
2030-2034	625,000	115,000	740,000	3,312,525
2035-2039	1,005,000	-	1,005,000	3,050,938
2040-2044	1,360,000	-	1,360,000	2,695,000
2045-2049	1,840,000	-	1,840,000	2,213,750
2050-2054	2,495,000	-	2,495,000	1,561,563
2055-2058	3,440,000	-	3,440,000	626,875
	<u>\$ 10,765,000</u>	<u>\$ 465,000</u>	<u>\$ 11,230,000</u>	<u>\$ 16,944,116</u>

Leases

The Charter School has entered into a lease agreement for copiers. The lease has a termination date of January 2028. The leases include monthly payments of principal and interest at a rate of 7.00%.

Future lease maturities as of June 30 are as follows:

	Principal	Interest	Total
2025	\$ 16,384	\$ 3,989	\$ 20,373
2026	17,569	2,805	20,374
2027	18,839	1,535	20,374
2028	11,611	272	11,883
	<u>\$ 64,403</u>	<u>\$ 8,601</u>	<u>\$ 73,004</u>

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balances and activity for the year ended June 30, 2024, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds payable	\$ 11,230,000	\$ -	\$ -	\$ 11,230,000	\$ -
Leases payable	7,236	70,900	13,733 *	64,403	16,384
Net pension liability	1,423,000	1,935,421	377,421	2,981,000	-
Net other postemployment benefit liability	79,000	56,250	8,250	127,000	-
	<u>79,000</u>	<u>56,250</u>	<u>8,250</u>	<u>127,000</u>	<u>-</u>
Total governmental long-term liabilities	<u>\$ 12,739,236</u>	<u>\$ 2,062,571</u>	<u>\$ 399,404</u>	<u>\$ 14,402,403</u>	<u>\$ 16,384</u>

*Includes \$5,232 in reductions related to a lease modification, which is included in the loss on modification on the reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities.

Total interest paid during the year ended June 30, 2024, was \$702,883. Payments on bonds payable, and leases payable are made by the general and debt service funds. The net pension and other postemployment benefit liability will be liquidated through future contributions to PSERS at the statutory rates; Contributions will be made from the general fund.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plan

General Information About the Pension Plan

Plan Description

PSERS (the System) 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.

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally equal to 1.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of 5 years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Benefits Provided - continued

Participants are eligible for disability retirement benefits after completion of five 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 one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

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

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

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Contributions - continued

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

Employer Contributions:

The Charter School’s contractually required contribution rate for the fiscal year ended June 30, 2024 was 33.09% 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 \$548,206 for the year ended June 30, 2024. In addition, the Charter School's contribution to the defined contribution plan was \$4,473 for the year ended June 30, 2024.

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

At June 30, 2024, the Charter School reported a liability of \$2,981,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022 to June 30, 2023. 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, 2024, the Charter School’s proportion was 0.0067% which was an increase of 0.0035% from its proportion measured as of June 30, 2023.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

For the year ended June 30, 2024, the Charter School recognized a pension expense of \$1,055,534. At June 30, 2024, 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	\$ 1,000	\$ 41,000
Net difference between projected and actual investment earnings	84,000	-
Changes in assumptions	44,000	-
Changes in proportion - plan level	1,899,000	-
Difference between employer contributions and proportionate share of total contributions	72,440	-
Contributions made subsequent to the measurement date	548,206	-
	\$ 2,648,646	\$ 41,000

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - 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 \$548,206 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, 2025. 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:

2025	\$ 808,207
2026	719,207
2027	499,208
2028	<u>32,818</u>
	<u>\$ 2,059,440</u>

Actuarial Assumptions

The total pension liability at June 30, 2023, was determined by rolling forward the System's total pension liability at June 30, 2022 to June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial valuation date - June 30, 2022.
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - 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 long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The PSERS 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, 2023 is:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	30.0%	5.2%
Private equity	12.0%	7.9%
Fixed income	33.0%	3.2%
Commodities	7.5%	2.7%
Infrastructure/ MLPs	10.0%	5.4%
Real estate	11.0%	5.7%
Absolute return	4.0%	4.1%
Cash	3.0%	1.2%
Leverage	<u>(10.5%)</u>	1.2%
	<u>100.0%</u>	

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - 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

Discount Rate

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

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

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Charter School's proportionate share of the net pension liability	\$ 3,864,000	\$ 2,981,000	\$ 2,236,000

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 Related to the Plan

At June 30, 2024, the Charter School had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$193,084. This amount represents the Charter School's contractually obligated contributions for wages earned in April 2024 through June 2024.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - 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. The Charter School does not contribute to the Plan.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS

Employee Defined Benefit Other Postemployment Benefit Plans

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

PSERS OPEB Plan

General Information About the PSERS OPEB Plan

Health Insurance Premium Assistance Program

PSERS (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, 2023, there were no assumed future benefit increases to participating eligible retirees.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - 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.

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

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

Pension Plan Description

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

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.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Contributions

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The School Charter School's contractually required contribution rate for the fiscal year ended June 30, 2024, was 0.64% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the Charter School were \$10,603 for the year ended June 30, 2024.

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

At June 30, 2024, the Charter School reported a liability of \$127,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, 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, 2022 to June 30, 2023. 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, 2024, the Charter School's proportion was 0.0070%, which was an increase of 0.0027% from its proportion measured as of June 30, 2023.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

For the year ended June 30, 2024, the Charter School recognized OPEB expense of \$29,250. At June 30, 2024, 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
Differences between expected and actual experience	\$ 1,000	\$ 1,000
Changes in assumptions	11,000	24,000
Changes in proportion	107,000	-
Contributions made subsequent to the measurement date	10,603	-
	<u>\$ 129,603</u>	<u>\$ 25,000</u>

The \$10,603 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, 2025. 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:

2025	\$ 22,000
2026	22,000
2027	21,000
2028	20,000
2029	9,000
Total	<u>\$ 94,000</u>

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

Actuarial Assumptions

The total OPEB liability as of June 30, 2023, was determined by rolling forward the System's total OPEB liability as of June 30, 2022 to June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial valuation date - June 30, 2022.
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 4.13% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre-age 65 at 50%
 - Eligible retirees will elect to participate Post-age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2021 determined the employer contribution rate for fiscal year 2023.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumptions for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

Actuarial Assumptions - continued

Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

The PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023 is:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	100.0%	1.2%

Discount Rate

The discount rate used to measure the total OPEB liability was 4.13%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.13% which represents the S&P 20-year Municipal Bond Rate at June 30, 2023, was applied to all projected benefit payments to measure the total OPEB liability.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2023, 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, 2023, 92,677 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2023, 522 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the Charter School’s proportionate share of the net OPEB liability for the June 30, 2023 measurement date, calculated using current Healthcare cost trends as well as what the Charter School’s proportionate share of the net OPEB liability would be if the health cost trends were one-percentage point lower or one-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Charter School’s proportionate share of the net OPEB liability	\$ 127,000	\$ 127,000	\$ 127,000

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

The following presents the net OPEB liability, calculated using the discount rate of 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (3.13%) or one-percentage point higher (5.13%) than the current rate:

	<u>1% Decrease 3.13%</u>	<u>Current Discount Rate 4.13%</u>	<u>1% Increase 5.13%</u>
Charter School’s proportionate share of the net OPEB liability	\$ 143,000	\$ 127,000	\$ 113,000

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

OPEB Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2024, the Charter School had an accrued balance due to PSERS of \$193,084 including balances related to pension and OPEB. This amount represents the Charter School's contractually obligated contributions for wages earned in April 2024 through June 2024.

NOTE 10 - 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. There were no significant reductions in insurance coverages for the 2023-2024 school year. Settlement amounts have not exceeded insurance coverage for the current year, or the prior 2 years, which were the first years of operation.

NOTE 11 - CONTINGENT LIABILITIES

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

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

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 12 - COMMITMENTS

The Charter School has entered into a business services agreement with Charter Choices, Inc. for various operational services, including accounts payable, billing, payroll and human resources, internal reporting, budgeting, and federal grant and tax reporting. The contract term is January 1, 2023 through June 30, 2026, with options for additional 3-year terms. The annual fee for these services is \$75,000 for year one, billed monthly and the annual fee is adjusted each July 1st by the greater of 2% or the change in the May annual CPI-U for the Mid-Atlantic Region, as published by the Federal Bureau of Labor Statistics. Total expenditures under this agreement were \$78,000 for the year ended June 30, 2024.

NOTE 13 - 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, 2024, were as follows:

General Fund

The general fund has nonspendable funds of \$22,057 related to prepaid expenditures, restricted funds of \$12,679 related to unspent restricted contributions and unassigned funds totaling \$413,429.

Debt Service

The debt service fund has a restricted fund balance of \$1,205,328 representing funds restricted for debt service.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS

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

- Statement No. 101, *Compensated Absences* - The primary objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for the Charter School's fiscal year ending June 30, 2025.
- Statement No. 102, *Certain Risk Disclosures* - The primary objective of this statement is to provide users of government financial statements with essential information about risks related to government's vulnerabilities due to certain concentrations or constraints. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.
- Statement No. 103, *Financial Reporting Model Improvements* - The primary objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.
- Statement No. 104, *Disclosure of Certain Capital Assets* - The primary objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. This statement also requires additional disclosures for capital assets held for sale. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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

REQUIRED SUPPLEMENTARY INFORMATION

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2024

	BUDGET		ACTUAL (GAAP Basis)	VARIANCE Final to Actual
	Original	Final		
REVENUES				
Local sources	\$ 4,289,414	\$ 4,289,414	\$ 4,313,224	\$ 23,810
States sources	154,445	154,445	252,377	97,932
Federal sources	987,528	987,528	198,887	(788,641)
TOTAL REVENUES	5,431,387	5,431,387	4,764,488	(666,899)
EXPENDITURES				
INSTRUCTIONAL SERVICES:				
Regular programs - elementary/secondary	2,663,800	2,663,800	2,717,450	(53,650)
Special programs - elementary/secondary	163,616	163,616	109,742	53,874
TOTAL INSTRUCTIONAL SERVICES	2,827,416	2,827,416	2,827,192	224
SUPPORT SERVICES:				
Students	252,551	252,551	241,715	10,836
Instructional staff	94,818	94,818	230,592	(135,774)
Administration	371,193	371,193	528,309	(157,116)
Pupil health	68,557	68,557	32,056	36,501
Business	83,000	83,000	112,010	(29,010)
Operation and maintenance of plant	210,688	210,688	307,832	(97,144)
Central	140	140	-	140
TOTAL SUPPORT SERVICES	1,080,947	1,080,947	1,452,514	(371,567)
OPERATION OF NONINSTRUCTIONAL SERVICES:				
Food services	370,797	370,797	-	370,797
Student activities	1,030	1,030	13,577	(12,547)
Community services	135	135	-	135
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	371,962	371,962	13,577	358,385
CAPITAL OUTLAY	80,562	80,562	-	80,562
DEBT SERVICE PAYMENTS	-	-	10,669	(10,669)
TOTAL EXPENDITURES	4,360,887	4,360,887	4,303,952	56,935
EXCESS OF REVENUES OVER EXPENDITURES	1,070,500	1,070,500	460,536	(609,964)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of leases	-	-	70,900	70,900
Transfers out	-	-	(658,467)	(658,467)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(587,567)	(587,567)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ 1,070,500	\$ 1,070,500	(127,031)	\$ (1,197,531)
FUND BALANCE - BEGINNING OF YEAR			575,196	
FUND BALANCE - END OF YEAR			\$ 448,165	

See note to required supplementary information.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2024

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 2023/2024 budget transfers.

Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2024, the general fund had an excess of expenditures over budget, including transfers, of \$601,532. The excess expenditures were covered in part with existing fund balance.

Budgetary Compliance

The Charter School's only legally adopted budget is for the general fund. All budgetary transfers, if applicable, 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, 2024. 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.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

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

LAST TEN FISCAL YEARS

	2024	2023
Charter school's proportion of the collective net pension liability	0.0067%	0.0032%
Charter school's proportionate share of the collective net pension liability	\$ 2,981,000	\$ 1,423,000
Charter school's covered payroll	\$ 1,065,551	\$ 639,078
Charter school's proportionate share of the net pension liability as a percentage of its covered payroll	279.76%	222.66%
Plan fiduciary net position as a percentage of the total pension liability	61.85%	61.34%

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

NOTES TO SCHEDULE

Changes in benefit terms

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

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

- The Discount Rate decreased from 7.25% to 7.00%. The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.
- Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.
- For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

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. The year ended June 30, 2022 was the Charter School's first year of operation.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

SCHEDULE OF CHARTER SCHOOL'S CONTRIBUTIONS - PENSION PLAN

LAST TEN FISCAL YEARS

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contractually required contribution	\$ 548,206	\$ 377,421	\$ 239,453
Contributions in relation to the contractually required contribution	<u>548,206</u>	<u>377,421</u>	<u>239,453</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered payroll	\$ 1,548,126	\$ 1,065,551	\$ 639,078
Contributions as a percentage of covered payroll	35.41%	35.42%	37.47%

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. The year ended June 30, 2022 was the School's first year of operation.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

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

LAST TEN FISCAL YEARS

	2024	2023
Charter school's proportion of the collective net PSERS OPEB liability	0.0070%	0.0043%
Charter school's proportionate share of the collective net PSERS OPEB liability	\$ 127,000	\$ 79,000
Charter school's covered payroll	\$ 1,065,551	\$ 639,078
Charter school's proportionate share of the net PSERS OPEB liability as a percentage of its covered payroll	11.92%	12.36%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	7.22%	6.86%

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

NOTES TO SCHEDULE

Changes in benefit terms

None.

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

- The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.
- Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.
- For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

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

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. The year ended June 30, 2022 was the School's first year of operation.

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

SCHEDULE OF CHARTER SCHOOL'S CONTRIBUTIONS - PSERS OPEB PLAN

LAST TEN FISCAL YEARS

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contractually required contribution	\$ 10,603	\$ 8,250	\$ 5,636
Contributions in relation to the contractually required contribution	<u>10,603</u>	<u>8,250</u>	<u>5,636</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered payroll	\$ 1,548,126	\$ 1,065,551	\$ 639,078
Contributions as a percentage of covered payroll	0.68%	0.77%	0.88%

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown. The year ended June 30, 2022 was the Charter School's first year of operation.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Pennsylvania STEAM Academy Charter School, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Pennsylvania STEAM Academy Charter School's basic financial statements and have issued our report thereon dated March 3, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pennsylvania STEAM Academy Charter School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pennsylvania STEAM Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Pennsylvania STEAM Academy Charter School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pennsylvania STEAM Academy Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Pennsylvania STEAM Academy Charter School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Pennsylvania STEAM Academy Charter School's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Pennsylvania STEAM Academy Charter School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
March 3, 2025

PENNSYLVANIA STEAM ACADEMY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2024

2024-001: MATERIAL ADJUSTMENTS POSTED AS A RESULT OF THE AUDIT - MATERIAL WEAKNESS

Criteria

AU-C Section 265 indicates that the “Identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected and corrected by the entity’s internal control” should be considered a material weakness in internal controls.

Condition

A material adjustment was proposed during the audit to reverse accounts receivable and revenue related to a federal grant for which reimbursement was never requested.

Cause

Accounts receivable and related revenue for a federal grant were recorded based on budgeted revenue and not actual expenditures reimbursed by the grant.

Effect

An adjustment was posted at year end to bring accounts receivable and grant revenue into compliance with reporting under U.S. generally accepted accounting principles. This adjustment resulted in a change to audit requirements for the Charter School.

Recommendation

We recommend that the Charter School review current procedures for recording grant revenue. There should be a level of review to ensure that grant revenue being recorded has met all criteria for recognition under generally accepted accounting principles, including that eligible expenses have been incurred.

Management Response

The income and receivable were reversed as a result of a recent change in the granting agency's position on eligible expenditures. As a result, management has submitted a revised budget to the granting agency that replaces all expenses determined to be ineligible. Those expenditures are anticipated to be reimbursed in the subsequent fiscal year. Management will then record the remaining applicable grant revenues according to actual expenditures reimbursed by the grant rather than basing it on budgeted revenues. Management plans to fully exhaust the grant at 06/30/25.