

**PENNSYLVANIA DISTANCE**  
**LEARNING CHARTER SCHOOL**

**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**

June 30, 2023



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December 15, 2023

To the Board of Trustees  
Pennsylvania Distance Learning Charter School  
Sewickley, Pennsylvania

Independent Auditor's Report

**Report on the Audit of the Financial Statements**

**Opinions**

We have audited the accompanying financial statements of the governmental activities of the General Fund of Pennsylvania Distance Learning Charter School (the School), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the General Fund of Pennsylvania Distance Learning Charter School as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 Distance Learning 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 Distance Learning 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 Distance Learning 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 Distance Learning 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 on pages 4 to 10, budgetary comparison information on page 36, schedule of proportionate share of the net pension liability on page 37, schedule of proportionate share of the net OPEB liability on page 38, and schedule of proportionate OPEB contributions on page 39 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.

### **Supplementary Information**

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, on our consideration of Pennsylvania Distance Learning 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 Distance Learning 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 Distance Learning Charter School's internal control over financial reporting and compliance.

*Hill, Barth & King LLC*

Certified Public Accountants

## Management's Discussion and Analysis

As management of the Pennsylvania Distance Learning Charter School (the "School"), a charter school, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Pennsylvania Distance Learning Charter School for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis ("MD&A") is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, ***Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*** issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

### Financial Highlights

- In accordance with GASB 68, the School is reporting its share of the June 30, 2022 total PSERS pension liability calculated at \$10,981,000.
- In accordance with GASB 75, the School is reporting its share of the June 30, 2022 total OPEB liability calculated at \$455,000.
- In total, net position decreased \$200,159 which represents a 3 percent decrease compared to 2022. This decrease was primarily related to an increases in current year amortization and depreciation and pension expense.
- Total assets decreased \$779,072, which represents a 3 percent decrease from 2022. This decrease was due to the increase in accumulated amortization of the right-of-use leased assets related to GASB Statement No. 87.
- Total liabilities increased \$1,790,984, which represents a 9 percent increase from 2022. The increase in liabilities is due to an increase in the PSERS net pension liability which was offset by a reduction in the GASB 87 lease obligation for current year payments.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. These basic financial statements comprise three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements.

### Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to private-sector business.

The Statement of Net Position presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow changes in future fiscal periods (e.g., items purchased but not paid for).

Pennsylvania Distance Learning Charter School  
Management's Discussion and Analysis

The governmental activities of the School include Instruction and Support Services.

The Government-Wide Financial Statements can be found on pages 11 and 12 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School for the current year are governmental funds.

#### **Governmental Funds**

Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available to the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

The School maintains only a General Fund, which is considered a major fund. Information is presented in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances.

The School prepares a General Fund budget. Statements have been provided that compare actual results to this budget.

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$6,559,406 at the close of its fiscal year. It is important to note that this equity includes \$11,436,000 of Net Pension and OPEB liabilities.

### **Statement of Net Position**

The Statement of Net Position answers the question of how the School did financially during fiscal year 2023. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Pennsylvania Distance Learning Charter School  
Management's Discussion and Analysis

Table 1 provides a summary of the School's Net Assets for the fiscal years 2023 and 2022:

(Table 1)  
**Summary Statements of Net Position**

	<u>2023</u>	<u>2022</u>
Current Assets	\$ 14,341,140	\$ 13,485,093
Noncurrent Assets	<u>9,442,653</u>	<u>11,077,772</u>
Total Assets	<u>23,783,793</u>	<u>24,562,865</u>
Deferred Outflows of Resources Related to Pension and OPEB	<u>4,481,038</u>	<u>3,134,141</u>
Current Liabilities	2,947,639	1,787,875
Noncurrent Liabilities	<u>18,365,786</u>	<u>16,656,855</u>
Total Liabilities	<u>21,313,425</u>	<u>18,444,730</u>
Deferred Inflows of Resources Related to Pensions and OPEB	<u>392,000</u>	<u>1,415,000</u>
Investment in Capital Assets	876,249	1,514,629
Unrestricted Net Surplus	<u>5,683,157</u>	<u>5,244,936</u>
Total Net Position	<u>\$ 6,559,406</u>	<u>\$ 6,759,565</u>

Total assets decreased \$779,072, which represents a 3 percent decrease from 2022. This decrease was due to the increase in accumulated amortization of the right-of-use leased assets related to GASB Statement No. 87. The increase in liabilities is primarily due to an increase in the PSERS net pension liability offset by the decrease in the GASB 87 lease obligation for current year payments.

### Capital Assets

At the end of fiscal year 2023, the School had \$876,249 in capital assets which represented a decrease of \$638,380 from 2022. Table 2 shows the respective balance for fiscal years 2023 and 2022.

(Table 2)

	<u>2023</u>	<u>2022</u>
Capital Assets, net	<u>\$ 876,249</u>	<u>\$ 1,514,629</u>

For more information on capital assets, see Note 2 in the Notes to the Basic Financial Statements.



Pennsylvania Distance Learning Charter School  
Management's Discussion and Analysis

**Statement of Activities**

(Table 3)

	<b>Changes in Net Position</b>	
	<b>2023</b>	<b>2022</b>
General Revenues:		
District Funding	\$ 21,378,712	\$ 22,242,356
Federal Entitlement Grants	3,589,161	2,564,615
State Reimbursement	62,186	87,580
Other	333,011	12,268
Total General Revenues	<u>25,363,070</u>	<u>24,906,819</u>
Expenses:		
Instruction	14,215,630	13,437,097
Support Services	9,224,561	7,064,744
Capital Expenses	1,774,310	1,688,688
Interest on Debt	348,728	367,201
Total Expenses	<u>25,563,229</u>	<u>22,557,730</u>
Change in Net Position	<u>\$ (200,159)</u>	<u>\$ 2,349,089</u>

Table 3 shows the changes in net position for fiscal years 2023 and 2022, as well as a listing of revenues and expenses.

The reason for the increase in overall revenues in 2023 was primarily due to an increase in Federal entitlement grants resulting from CARES Act ESSER II and ARP ESSER awards, this impact was offset by a reduction in per-pupil allotment from 2022. The School's expenses increased primarily as a result of increased personnel costs funded by the additional Federal entitlements.

**Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual – General Fund  
For the Year Ended June 30, 2023**

(Table 4)  
**Change in Net Fund Balances, Budget and Actual**

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Local Revenues	\$ 21,463,917	\$ 21,642,152
State Revenues	38,181	62,186
Federal Revenues	<u>2,865,067</u>	<u>3,589,161</u>
Total Revenues	<u>24,367,165</u>	<u>25,293,499</u>
Expenditures:		
Instruction	14,258,905	13,960,672
Support Services	10,718,106	8,985,846
Capital Expenses	239,000	45,458
Debt Service	<u>1,800</u>	<u>1,282,965</u>
Total Expenses	<u>25,217,811</u>	<u>24,274,941</u>
Change in Fund Balance	<u>\$ (850,646)</u>	<u>\$ 1,018,558</u>

- Total actual revenues during 2023 were higher, \$926,334, than the budget. The School received more Federal entitlement money than budgeted as well higher than budgeted interest income due to the increase in rates during the year.
- Total actual expenses during 2023 were lower, \$942,870, than budgeted. The primary driver of this variance is reduced personnel costs and lower capital expenditures than budgeted.

## **Financial Analysis of the School's Funds**

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **General Fund**

In particular, unassigned fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the School's general fund reported an ending Unassigned Fund Balance of \$2,016,275. This represents approximately 8% of the total year's funding, which will be available to the School in subsequent years.

### **Long-Term Debt**

As of June 30, 2023, the School has no long-term debt.

### **Current Financial Issues**

#### **I. District Funding Receivable**

In Pennsylvania, "cyber" charters (charter schools that provide distance learning education) are funded on the number of students enrolled in the School through payments received from the resident school district of the enrollee. Monies are paid by the resident school district based on an invoice that is issued by the School. The invoices are calculated differently for each student based on a combination of student entry date, published "tuition" rate for a particular District, and the number of billing periods remaining in the year.

The School billed 290 various Districts in fiscal year 2023. By year end, the School had collected approximately 97% of its billed revenues, as opposed to a 98% collection rate in fiscal year 2022.

#### **II. Enrollment**

For the school year ended June 30, 2023, the School had a final Average Daily Membership (ADM) of 1,284 students, generating \$21.6 million in billed revenues. In the coming year, enrollment (ADM) was budgeted at 1,309 students.

#### **III. Miscellaneous Statistics**

The following represents some miscellaneous financial statistics of the School during the 2023 fiscal year:

Number of Districts billed: 290

Number of Students served: 1,528 (had enrollment days at some point during the year)

## Pennsylvania Distance Learning Charter School Management's Discussion and Analysis

### (Regular Education Funding)

Lowest District Funding Amount:	\$	8,917
Highest District Funding Amount:	\$	22,280
Average District Funding Amount:	\$	12,914

### (Special Education Funding)

Lowest District Funding Amount:	\$	18,599
Highest District Funding Amount:	\$	57,371
Average District Funding Amount:	\$	29,621

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

The fiscal and operational stability of our Commonwealth's charter schools is directly linked to the State of Pennsylvania's Budget and shifting political realities. This issue manifests itself most clearly in the way that the state determines each charter school's per pupil allotment which is calculated by student's school district of residence and form PDE-363. The PDE 363 uses a "state-determined" formula to calculate per pupil allotments. A host of anti-charter legislation proposed by the Governor and currently making its way through the Pennsylvania House and Senate threatens to further reduce charter school funding.

Though the charter school concept is widely recognized as a viable and necessary educational model, the issue concerning how charter schools are funded will likely remain controversial in the foreseeable future.

## **Requests for Information**

This financial report is designed to provide a general overview of the Pennsylvania Distance Learning Charter School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fiscal Officer c/o Pennsylvania Distance Learning Charter School, 2605 Nicholson Road, Suite #4100, Sewickley, PA 15143.

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**STATEMENT OF NET POSITION**

June 30, 2023

	<b><u>Governmental Activities</u></b>
<b><u>Assets</u></b>	
<b><u>Current Assets</u></b>	
Cash and Cash Equivalents	\$ 11,524,170
Certificates of Deposit	646,479
District Funding Receivable (Net of Allowance)	944,117
Grants Funding Receivable	689,130
Other Receivable	29,268
Prepaid Expenses	507,976
Total Current Assets	14,341,140
<b><u>Noncurrent Assets</u></b>	
Certificate of Deposit - Limited Use	1,082,636
Capital Assets (Net of Depreciation)	876,249
Leased Right-of-Use-Assets (Net of Amortization)	7,460,758
Security Deposits	23,010
Total Noncurrent Assets	9,442,653
<b>Total Assets</b>	23,783,793
<b><u>Deferred Outflows of Resources</u></b>	
Deferred Outflows of Resources Related to Pension and OPEB	4,481,038
<b><u>Liabilities</u></b>	
<b><u>Current Liabilities</u></b>	
Accounts Payable	355,129
Accrued Expenses	835,512
District Funding Payable	458,884
Lease Liability, Current Portion	1,298,114
Total Current Liabilities	2,947,639
<b><u>Noncurrent Liabilities</u></b>	
Lease Liability, Noncurrent	6,929,786
Net OPEB Liability	455,000
Net Pension Liability	10,981,000
Total Noncurrent Liabilities	18,365,786
<b>Total Liabilities</b>	21,313,425
<b><u>Deferred Inflows of Resources</u></b>	
Deferred Inflows of Resources Related to Pension and OPEB	392,000
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	876,249
Unrestricted Net Assets	5,683,157
<b>Total Net Position</b>	\$ 6,559,406

See accompanying notes to financial statements

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**STATEMENT OF ACTIVITIES**

**Year ended June 30, 2023**

<b><u>Functions/ Programs</u></b>	<b><u>Program Revenues</u></b>				<b><u>Net (Expense) Revenue and Change in Net Position</u></b>
	<b><u>Expenses</u></b>	<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	<b><u>Capital Grants and Contributions</u></b>	
<b>Governmental Activities:</b>					
Instruction	\$ 14,215,630	-	-	-	\$ (14,215,630)
Support Services	9,154,990	-	-	-	(9,154,990)
Depreciation	1,774,310	-	-	-	(1,774,310)
Interest	348,728	-	-	-	(348,728)
<b>Total Governmental Activities</b>	<b>\$ 25,493,658</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(25,493,658)</b>

General Revenues:

District Funding	21,378,712
Federal Entitlement Grants	3,589,161
State Reimbursements	62,186
Other	263,440

Total General Revenues	25,293,499
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Change in Net Position	(200,159)
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<b>Net Position, Beginning</b>	<b>6,759,565</b>
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<b>Net Position, Ending</b>	<b>\$ 6,559,406</b>
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See accompanying notes to financial statements

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2023

	<b><u>General</u></b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 11,524,170
Certificates of Deposit	646,479
Certificates of Deposit - Limited Use	1,082,636
District Funding Receivable	944,117
Federal Receivable	689,130
Other Receivable	29,268
Prepaid Expenses	507,976
Security Deposits	23,010
<b>Total Assets</b>	<b>\$ 15,446,786</b>
<b><u>Liabilities</u></b>	
Accounts Payable	\$ 355,129
Accrued Expenses	835,512
District Funding Payable	458,884
<b>Total Liabilities</b>	<b>1,649,525</b>
<b><u>Fund Balances</u></b>	
Nonspendable	530,986
Committed	11,250,000
Unassigned	2,016,275
<b>Total Fund Balances</b>	<b>13,797,261</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,446,786</b>

See accompanying notes to financial statements

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**Year ended June 30, 2023**

	<b><u>General</u></b>
<b>Revenues</b>	
Local Revenues	\$ 21,642,152
State Revenues	62,186
Federal Revenues	3,589,161
	<hr/>
<b>Total Revenues</b>	25,293,499
	<hr/>
<b>Expenditures</b>	
Instruction	13,960,672
Support Services	8,985,846
Capital Expenses	45,458
Lease Right-of-Use Asset	69,571
Debt Service	1,282,965
<b>Total Expenditures</b>	24,344,512
	<hr/>
Excess of revenues over expenditures	948,987
<b>Other Financing Sources</b>	
Lease Financing	69,571
<b>Total Other Financing Sources</b>	69,571
	<hr/>
<b>Net Change in Fund Balances</b>	1,018,558
<b>Fund Balances--July 1, 2022</b>	12,778,703
	<hr/>
<b>Fund Balances--June 30, 2023</b>	\$ 13,797,261
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See accompanying notes to financial statements



**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2023**

<b>Total Fund Balances per Fund Financial Statements</b>	<b>\$ 13,797,261</b>
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the Statement of Net Position:	
Capital Assets	876,249
Leased Assets	7,460,758
Some liabilities, including lease liabilities, net pension and OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the fund financial statement:	
Pension and OPEB	(11,436,000)
Lease Liability	(8,227,900)
Deferred outflows and inflows or resources related to pension and OPEB are applicable to future periods and, therefore, are not reported in the funds:	
Deferred inflows of resources related to pension and OPEB	(392,000)
Deferred outflows of resources related to pension and OPEB	4,481,038
<b>Net Position for Governmental Activities</b>	<b><u>\$ 6,559,406</u></b>

See accompanying notes to financial statements

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**RECONCILIATION OF THE STATEMENT OF REVENUES EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

June 30, 2023

<b>Net Change in Fund Balances per Fund Financial Statements</b>	\$ 1,018,558
Capital outlays are reported as expenditures in this fund financial statement because they are current financial resources, but they are presented as assets in the Statement of Activities and depreciated over their estimated economic lives.	45,458
Right-of-use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	69,571
Depreciation and amortization expense on governmental capital assets and right-of-use assets are included in the governmental activities in the Statement of Activities.	(1,774,310)
Lease liabilities and payments on leases used in governmental activities are not financial resources and therefore are not reported in the funds.	
Lease liability recognized	(69,571)
Principal payments on lease liabilities	934,237
Governmental funds report School pension and OPEB contributions as expenditures. However in the statement of activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as expense.	<u>(424,102)</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ (200,159)</u></u>

See accompanying notes to financial statements

# **PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

### **NOTE 1: ORGANIZATION**

Pennsylvania Distance Learning Charter School (the "School") is a Pennsylvania corporation that began operations on July 1, 2004, pursuant to the PA Act 22 of 1997, to form and operate a cyber charter school within the Commonwealth of Pennsylvania. The School is an exempt organization for Federal income tax purposes under Section 501 (c)(3) of the Internal Revenue Code.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Reporting Entity**

The financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any legally separate organization for which the School is financially accountable is considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the School. Based on the application of these criteria, the School does not include additional organizations within its reporting entity, nor is the School a component unit of another entity.

#### **Government-Wide and Fund Financial Statements**

The financial statements of the School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School are described below.

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the School. Governmental activities are normally supported by tuition and intergovernmental revenues.

The Statement of Net Position presents the financial condition of the governmental activities of the School at year-end. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported in separate columns in the fund financial statements.

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2023

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Tuition and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the availability period for this revenue source (within 90 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 90 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The School's accounts are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The School reports the following major governmental fund:

- The *General Fund* is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund. There are no other funds reported by the School.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2023

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budget Information**

Annual budgets are adopted for all funds on a basis consistent with GAAP. All annual appropriations lapse at fiscal year-end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

Budgets are required for all funds by Pennsylvania State Statute. The budget includes proposed expenditures and the means of financing them. As required by law, prior to June 30, the budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year for the governmental funds. The appropriated budget is prepared by fund. The legal level of control is the fund level.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Trustees. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances.

The Board of Trustees may authorize supplemental appropriations during the year.

**Estimates**

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

**Assets, Liabilities, and Net Position or Fund Balance**

*Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand and in the bank, and short-term investments with original maturities of three months or less from the date of acquisition.

*Accounts Receivable*

The School considers the district funding and grant funding receivables to be fully collectible. Accordingly, no allowance for uncollectible accounts is required. If amounts become uncollectible based on management's periodic review, they will be written off at the time deemed uncollectible.

*Prepaid Expenses*

In both the government-wide and fund financial statements, prepaid expenses are recorded as assets in the specific governmental fund in which future benefits will be derived.

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2023

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Position or Fund Balance (Continued)**

*Capital Assets*

For purposes of recording capital assets, the Board has a \$5,000 capitalization threshold.

As of June 30, 2023, the School's capital assets had a net book value of \$876,249. Capital assets of the School are depreciated using the straight-line method over the useful lives of the assets; five years for "Vehicles" and "Furniture and Fixtures," three years for "Computers and Software," and ten years for "Leasehold Improvements." The depreciation expense for the year ended June 30, 2023 was \$683,839. Capital assets at June 30, 2023 consisted of the following:

	<b>June 30, 2022</b>	<b>Additions</b>	<b>Dispositions</b>	<b>June 30, 2023</b>
Leasehold Improvements	\$ 171,952	\$ -	\$ -	\$ 171,952
Furniture and Fixtures	398,392	6,717	-	405,109
Computer and Software	1,354,185	38,741	(379,100)	1,013,826
Vehicles	227,233	-	-	227,233
Capital Assets, at Cost	<u>2,151,762</u>	<u>45,458</u>	<u>(379,100)</u>	<u>1,818,120</u>
Less Accumulated Depreciation	637,132	683,839	(379,100)	941,871
Capital Assets, Net of Depreciation	<u>\$ 1,514,630</u>	<u>\$ (638,381)</u>	<u>\$ -</u>	<u>\$ 876,249</u>

**Government-Wide Net Position**

Government-wide net position is divided into three components:

- Net investment in capital assets - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position - consist of assets that are restricted by the School's creditors (for example, through debt covenants), by state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted net position - all other net position is reported in this category.

**Fund Statements - Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, fund balance reporting and governmental fund type definitions, the School classified governmental fund balances as follows:

- Nonspendable - amounts that cannot be spent because they are either (1) not in a spendable form or (2) legally or contractually required to remain intact.
- Restricted - the part of fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or by enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate and includes a legally enforceable requirement on the use of these funds.

# **PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2023

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Fund Statements - Fund Balance (Continued)**

- Committed - the portion of fund balance that can only be used for specific purposes as a result of formal action by the School's highest level of authority, the school board. Once the item is committed, it cannot be used for any other purpose unless changed by the same procedures used to initially constrain the money, which is the passage of a motion. The School committed \$7,509,469 for future operations use given the potential for district rate reductions, \$2,657,896 for future PSERS contribution expenditures associated with the increasing mandated annual state employer contribution. An additional \$1,082,635 is committed as collateral for the letter-of-credit required under the facility lease. The total committed funds as of June 30, 2023 are \$11,250,000.
- Assigned - reflects the School's intent to use the money for a specific purpose but is not considered restricted or committed. Fund balance may be assigned by the chief executive officer.
- Unassigned - represents the part of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund permitted to have a positive unassigned fund balance.

The School's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

### **NOTE 3: CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT**

#### **Deposits**

Under Section 440.1 of the Public School Code of 1949, as amended, the School is permitted to invest funds consistent with sound business practices 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 (FDIC) 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, is pledged by the depository.

The deposit policy of the School adheres to state statutes and prudent business practice. Deposits of the School as of June 30, 2023 are maintained in demand deposit and time deposit accounts. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School. Pursuant to Act 72 of the Pennsylvania State Legislature, a depository must pledge assets to secure state and municipal deposits. The pledged assets must at least be equal to the total amount of such assets required to secure all of the public deposits at the depository and may be on a pooled basis. Additionally, all such pledged assets must be delivered to a legal custodian.

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2023

**NOTE 3: CASH, CASH EQUIVALENTS, AND CERTIFICATES OF DEPOSIT (CONTINUED)**

**Deposits (Continued)**

At June 30, 2023, the deposits of the School can be categorized to indicate the level of risk assumed. The School had no investments at June 30, 2023 that required disclosure by risk category. The risk categories are as follows:

**Category 1** – insured or collateralized with securities held by the School or by its agent in the School’s name.

**Category 2** – collateralized with securities held by the pledging financial institution’s trust department or agent in the School’s name.

**Category 3** – collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the School’s name.

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
<u>Deposits</u>					
June 30, 2023	<u>\$ 897,000</u>	<u>\$ -</u>	<u>\$ 12,356,285</u>	<u>\$ 13,253,285</u>	<u>\$ 13,253,285</u>

Included in the financial statements is a “Certificate of Deposit – Limited Use” which is held as collateral for a letter of credit described in Note 11 to the financial statements.

**NOTE 4: DISTRICT FUNDING RECEIVABLE**

The School invoices the resident school district of each enrolled student based on reimbursement rates established by the Pennsylvania Department of Education. The "District Funding Receivable" on the Statement of Net Position and Balance Sheet - Governmental Funds represents the amounts invoiced to the various school districts, but not collected as of June 30, 2023 reduced by management's estimates of uncollectible amounts based on known circumstances and past experience. The amount of the receivable at year end was \$1,050,460. An allowance of \$106,343 has been recorded as of June 30, 2023, based on management's estimates of uncollectible amounts.

**NOTE 5: GRANTS FUNDING RECEIVABLE**

The School has recorded a grant receivable in the amount of \$689,130 to account for the portion of its federal grant awards allocated to the School, but not received as of June 30, 2023.

**NOTE 6: AGREEMENTS**

The School entered into a three-year agreement with Charter Choices, Inc. effective July 1, 2022. Under this agreement, Charter Choices, Inc. will provide various accounting and compliance reporting services.

The School also has other contracts in place with various vendors for services including back-office information technology (IT), elementary curriculum use, and course website development.



## PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

#### **NOTE 7: DEFINED BENEFIT PENSION PLAN**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS, System) 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 refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The School follows GASB Statement No. 68, which addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts and also establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures.

#### General Information about the Pension Plan

##### *Plan Description*

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

##### *Benefits Provided*

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

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

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2023

**NOTE 7: 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% 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.

*Member Contributions*

The contribution rates based on qualified member compensation for virtually all members are presented below:

<b>Member Contribution Rates</b>				
<b>Membership Class</b>	<b>Continuous Employment Since</b>	<b>Defined Benefit (DB) Contribution Rate</b>	<b>DC Contribution Rate</b>	<b>Total Contribution Rate</b>
<b>T-C</b>	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
<b>T-C</b>	On or after July 22, 1983	6.25%	N/A	6.25%
<b>T-D</b>	Prior to July 22, 1983	6.50%	N/A	6.50%
				7.50%
<b>T-D</b>	On or after July 22, 1983	7.50%	N/A	7.50%
<b>T-E</b>	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
<b>T-F</b>	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.8%
<b>T-G</b>	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
<b>T-H</b>	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
<b>DC</b>	On or after July 1, 2019	N/A	7.50%	7.50%

**Shared Risk Summary**

<b>Membership Class</b>	<b>Defined Benefit (DB) Base Rate</b>	<b>Shared Risk Increment</b>	<b>Minimum</b>	<b>Maximum</b>
<b>T-E</b>	7.50%	+/-0.50%	5.50%	9.50%
<b>T-F</b>	10.30%	+/-0.50%	8.30%	12.30%
<b>T-G</b>	5.50%	+/-0.75%	2.50%	8.50%
<b>T-H</b>	4.50%	+/-0.75%	1.50%	7.50%

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2023

**NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Employer Contributions*

The School's contractually required contribution rate for fiscal year ended June 30, 2022 was 35.26% 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 School were \$1,474,849 for the year ended June 30, 2023.

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

At June 30, 2023, the School reported a liability of \$10,981,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the School's proportion was .0247 percent, which was an increase of .0048 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the School recognized pension expense of \$1,887,059. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Expected and Actual		
Investment Earnings	\$ -	\$ (187,000)
Changes in Assumptions	328,000	-
Changes in Proportions	2,429,000	-
Difference Between Projected and Actual Experience	5,000	(95,000)
Contributions Subsequent to the Measurement Date	1,474,849	-
	<u>\$ 4,236,849</u>	<u>\$ (282,000)</u>

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2023

**NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

The \$1,879,000 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2024	\$ 929,000
2025	267,000
2026	260,000

*Changes in Actuarial Assumptions*

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

- Valuation Date - June 30, 2021
- Actuarial cost method - Entry Age Normal -level % of pay
- Investment return - 7.00%, includes inflation at 2.75%
- 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 discount rate used to measure the Total Pension Liability remained at 7.00% as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
  - Salary growth rate – decreased from 5.00% to 4.50%.
  - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
  - Mortality rates - Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are 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, 2022 valuation were based on the results of an actuarial experiences study that was performed for the five-year period through June 30, 2020.

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2023

**NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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 pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the 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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Public Equity	28.0%	5.3%
Private Equity	12.0%	8.0%
Fixed Income	33.0%	2.3%
Commodities	9.0%	2.3%
Infrastructure/MLPs	9.0%	5.4%
Real Estate	11.0%	4.6%
Absolute Return	6.0%	3.5%
Cash	3.0%	0.5%
Leverage	-11%	0.5%
	<u>100.0%</u>	

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

*Discount Rate*

The discount rate used to measure the total 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.

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2023

**NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Sensitivity of the District'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 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>6.00%</b>	<b>Discount Rate</b>	<b>8.00%</b>
		<b>7.00%</b>	
School's Proportionate Share of Net Pension Liability	\$ 14,204,000	\$ 10,981,000	\$ 8,265,000

*Pension Plan Fiduciary Net Position*

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

**NOTE 8: DEFINED CONTRIBUTION RETIREMENT PLAN**

As an alternative to the PSERS plan, the School offers a 403(b) plan which covers all new employees. PenServ Plan Services, Inc. is designated as the plan administrator. For participating employees, the School matches 100% or the first 5% of mandatory employee pre-tax deferrals to the plan. The plan's initial effective date was July 1, 2015, but the plan was amended effective March 1, 2017. The amendment stated that employees hired after July 1, 2015 and previously participated in PSERS had a right to choose to participate in this plan or participate in PSERS. Also, employees hired after March 1, 2017 who previously participated in PSERS and have not received a break of greater than 60 days in PSERS contributions prior to being hired at the School had the right to choose between participating in the 403(b) plan or continuing to participate in PSERS. Employees are immediately 100% vested in employer contributions. Employee and employer contributions to the plan were approximately \$231,000 and \$152,000 for the year ended June 30, 2023, respectively.

**NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB)**

Other Postemployment Benefits

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 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

### **NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

#### General Information about the Health Insurance Premium Assistance Program

##### *Health Insurance Premium Assistance Program*

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

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

##### *Benefits Provided*

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program.

##### *Employer Contributions*

The School's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School were \$34,189 for the year ended June 30, 2023.

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2023

**NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

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

At June 30, 2023, the School reported a liability of \$455,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022. The School's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the School's proportion was .0247 percent, which was an increase of .0048 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the School recognized OPEB expense of \$46,792. At June 30, 2023, the 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
Net Difference Between Expected and Actual		
Investment Earnings	\$ 1,000	\$ -
Changes in Assumptions	50,000	(107,000)
Changes in Proportions	155,000	(1,000)
Difference Between Projected and Actual Experience	4,000	(2,000)
Contributions Subsequent to the Measurement Date	34,189	-
	<u>\$ 244,189</u>	<u>\$ (110,000)</u>

The \$34,189 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	
2024	\$ 27,000
2025	21,000
2026	16,000
2027	14,000



**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2023

**NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

*Actuarial Assumptions*

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%
  - Eligible retirees will elect to participate Post age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefitting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality tables for Males and Females, adjusted to reflect PSERS' experience projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2023

**NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

*Actuarial Assumptions (Continued)*

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	100.0%	0.5%

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

*Discount Rate*

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

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

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

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2023

**NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

*Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates (Continued)*

The following presents the System net OPEB liability for June 30, 2022, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if Healthcare cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	<b><u>1% Decrease</u></b>	<b><u>Current Trend Rate</u></b>	<b><u>1% Increase</u></b>
System net OPEB liability	\$ 455,000	\$ 455,000	\$ 455,000

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	<b><u>1% Decrease 1% Decrease 3.09%</u></b>	<b><u>Current Discount Rate Discount Rate 4.09%</u></b>	<b><u>1% Increase 1% Increase 5.09%</u></b>
School's Proportionate Share of Net OPEB Liability	\$ 514,000	\$ 455,000	\$ 405,000

*OPEB Plan Fiduciary Net Position*

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

**NOTE 10: RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School carries commercial insurance for such risks. There has been no significant reduction in insurance coverage of the School's policies.

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2023

**NOTE 11: COMMITMENTS AND CONTINGENCIES**

*Grants*

The School has received Federal and/or State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant.

*Letter of Credit*

The School has a \$1,017,198 letter of credit with PNC bank as required in a new facility lease. The letter of credit is secured by School assets along with a certificate of deposit that is shown in the financial statements as "Certificate of Deposit – Limited Use". The lease allows for the reduction in the letter of credit as follows:

<u>As of:</u>	<u>Amount</u>
July 1, 2025	\$ 813,758
July 1, 2026	610,319
July 1, 2027	406,879
July 1, 2028	203,440
July 1, 2029	-

**NOTE 12: LEASE OBLIGATIONS**

The School entered into a lease for office space located in Sewickley, Pennsylvania. The lease term is one hundred twenty-two months and commenced on June 1, 2020. In June 2021, the School entered into two additional leases in Sewickley, Pennsylvania. The first lease commenced on July 1, 2021 and expires on May 31, 2024 with the option for two additional three-year renewal terms. Monthly payments are \$16,023 and escalate annually. The second lease commenced on January 1, 2022 and expires on May 31, 2027 with the option for two additional three-year renewal terms. Monthly payments are \$6,987 and escalate annually. Rent expense for the year ended June 30, 2023 totaled \$1,090,470. The School has various pieces of equipment under lease through 2027 with monthly payments ranging from \$192 through \$1,345.

Total right-of-use assets under lease for the year ended June 30, 2023 are:

	<u>Cost</u>	<u>Accumulated Amortization</u>
Buildings	\$ 10,410,123	\$ 3,028,474
Equipment	153,728	74,619
Total	<u>\$ 10,563,851</u>	<u>\$ 3,103,093</u>

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2023

**NOTE 12: LEASE OBLIGATIONS (CONTINUED)**

The future principal and interest payments for the School's leases are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 989,038	\$ 312,222
2025	1,046,743	271,286
2026	1,110,440	228,019
2027	1,175,276	182,135
2028	1,235,508	133,810
2029-2030	2,670,895	112,088

**NOTE 13: LITIGATION**

The School is, from time to time, involved in claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, at this time, the ultimate resolution of these matters will not have an adverse effect on the financial position of the School.

**NOTE 14: RECENT ACCOUNTING PRONOUNCEMENTS**

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*, which is effective for fiscal years beginning after June 15, 2022. This Statement increases the usefulness of governments' financial statements by requiring recognition of right-to-use assets and subscription liabilities for subscription-based information technology arrangements (SBITAs) that previously were recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for SBITA accounting based on the foundational principle that SBITAs are financings of the right to use an underlying asset. Under this Statement, lessee is required to recognize a subscription liability and an intangible right-to-use lease asset. The School has adopted Statement No. 96 for fiscal year 2023.

As a result of implementing GASB Statement No. 89, there was no effect on the School's beginning net position.

**NOTE 15: SUBSEQUENT EVENTS**

The School evaluated its June 30, 2023 financial statements for subsequent events through December 15, 2023, which is the date the financial statements were available to be issued. The School is not aware of any subsequent events which would require recognition or disclosure in the financial statements or notes.

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES,**  
**BUDGET TO ACTUAL - GENERAL FUND (UNAUDITED)**

Year ended June 30, 2023

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Local Revenues	\$ 21,463,917	\$ 21,463,917	\$ 21,572,581	\$ 108,664
State Revenues	38,181	38,181	62,186	24,005
Federal Revenues	2,865,067	2,865,067	3,589,161	724,094
<b>Total Revenues</b>	<b>24,367,165</b>	<b>24,367,165</b>	<b>25,223,928</b>	<b>856,763</b>
<b>Expenditures</b>				
Instruction	14,258,905	14,258,905	13,960,672	298,233
Support Services	10,718,106	10,718,106	8,985,846	1,732,260
Capital Expenses	239,000	239,000	45,458	193,542
Debt Service	1,800	1,800	1,282,965	(1,281,165)
<b>Total Expenditures</b>	<b>25,217,811</b>	<b>25,217,811</b>	<b>24,274,941</b>	<b>942,870</b>
<b>Net Change in Fund Balances</b>	<b>(850,646)</b>	<b>(850,646)</b>	<b>948,987</b>	<b>1,799,633</b>
<b>Fund Balances--July 1, 2022</b>	<b>12,778,703</b>	<b>12,778,703</b>	<b>12,778,703</b>	<b>-</b>
<b>Fund Balances--June 30, 2023</b>	<b>\$ 11,928,057</b>	<b>\$ 11,928,057</b>	<b>\$ 13,727,690</b>	<b>\$ 1,799,633</b>

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -**  
**TEACHERS' PENSION PLAN**  
**LAST 10 FISCAL YEARS (UNAUDITED)**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
School's proportion of the net pension liability	0.02470%	0.01990%	0.0170%	0.0163%	0.0153%	0.0140%	0.0143%	0.0158%	0.0140%	0.0110%
School's proportionate share of the net pension liability	\$ 10,981,000	\$ 8,170,000	\$ 8,420,000	\$ 7,626,000	\$ 7,345,000	\$ 6,914,000	\$ 7,087,000	\$ 6,843,000	\$ 5,542,000	\$ 4,503,000
School's covered-employee payroll	\$ 3,634,624	\$ 2,822,102	\$ 2,384,567	\$ 2,249,477	\$ 2,059,924	\$ 1,867,749	\$ 1,850,478	\$ 1,852,051	\$ 2,029,850	\$ 1,791,587
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	302.12%	289.50%	353.10%	339.01%	356.57%	370.18%	382.98%	369.48%	273.03%	251.34%
Plan fiduciary net position as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -**  
**TEACHERS' OPEB PLAN**  
**LAST 10 FISCAL YEARS (UNAUDITED) \***

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
School's proportion of the net OPEB liability	0.0247%	0.0199%	0.0170%	0.0163%	0.0153%
School's proportionate share of the net OPEB liability	\$ 455,000	\$ 472,000	\$ 367,000	\$ 347,000	\$ 319,000
School's covered-employee payroll	\$ 3,634,624	\$ 2,822,102	\$ 2,384,567	\$ 2,249,477	\$ 2,059,924
School's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	12.52%	16.73%	15.39%	15.43%	15.49%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%

\* Until a full 10-year trend is compiled, the School has presented information for those years for which information is available.



**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**SCHEDULE OF SCHOOL'S CONTRIBUTIONS -**  
**TEACHERS' OPEB PLAN**  
**LAST 10 FISCAL YEARS (UNAUDITED) \***

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
School's contractually required contribution rate	0.80%	0.82%	0.84%	0.83%	0.83%
School's contributions recognized by the plan	\$ 29,082	\$ 23,084	\$ 20,043	\$ 18,670	\$ 17,097
Difference between employer contributions and proportionate share of total contributions	\$ 82	\$ 259	\$ 259	\$ 379	\$ 402
School's covered-employee payroll	\$ 3,634,624	\$ 2,822,102	\$ 2,384,567	\$ 2,249,477	\$ 2,059,924
School's proportionate contributions as a percentage of its covered-employee payroll	0.80%	0.82%	0.84%	0.83%	0.83%

\* Until a full 10-year trend is compiled, the School has presented information for those years for which information is available.

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year ended June 30, 2023**

Federal Grantor Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Grant Amount	Federal Expenditures
<b>U.S. Department of Education</b>				
<b>Pass-Through Pennsylvania Department of Education</b>				
Title I - Improving Basic Programs	84.010	013-231044	\$ 619,189	\$ 619,188
Title I - School Improvement Grant	84.010	042-221044	75,000	75,000
Total Title I Expenditures				<u>694,188</u>
Title II - Supporting Effective Instruction	84.367	020-231044	44,490	44,490
Total Title II Expenditures				<u>44,490</u>
Title IV, Part A - Student Support and Academic Enrichment Program	84.424	144-231044	51,091	51,091
Total Title IV, Part A Expenditures				<u>51,091</u>
<b>Pass-Through Pennsylvania Department of Education</b>				
<b>Allegheny IU</b>				
Title III - English Language Acquisition State Grants	84.365	N/A	1,742	1,742
Total Title III Expenditures				<u>1,742</u>
<b>COVID-19 Relief Funding</b>				
Elementary and Secondary School Emergency Relief II Fund - (ESSER II)	84.425D	200-211044	1,789,392	892,503
American Rescue Plan - Elementary and Secondary School Emergency Relief	84.425U	223-211044	3,616,848	1,416,158
American Rescue Plan - ARP ESSER Learning Loss	84.425U	225-211044	200,937	70,043
American Rescue Plan - ARP ESSER Summer School	84.425U	225-211044	40,187	23,492
Total Education Stabilization Fund Expenditures				<u>2,402,196</u>
<b>Pass-Through Allegheny IU</b>				
IDEA Part B - Special Education Grants to States	84.027	N/A	395,454	395,454
Total Special Education Expenditures				<u>395,454</u>
Total U.S. Department of Education				<u>3,589,161</u>
Total Expenditures of Federal Awards				<u><u>\$ 3,589,161</u></u>

See accompanying notes to schedule of expenditures of federal awards

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

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

**Year ended June 30, 2023**

**NOTE A: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Pennsylvania Distance Learning Charter School under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Pennsylvania Distance Learning Charter School, it is not intended to and does not present the statement of net position, statement of activities, or cash flows of Pennsylvania Distance Learning Charter School.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. No funds were provided to sub-recipients.

**NOTE C: INDIRECT COST RATE**

Pennsylvania Distance Learning Charter School has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



December 15, 2023

To the Board of Trustees  
Pennsylvania Distance Learning Charter School  
Sewickley, Pennsylvania

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*

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 of the General Fund of Pennsylvania Distance Learning Charter School (the School), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 15, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Hill, Barth & King LLC". The script is cursive and fluid.

Certified Public Accountants



December 15, 2023

To the Board of Trustees  
Pennsylvania Distance Learning Charter School  
Sewickley, Pennsylvania

Independent Auditor's Report on Compliance for Each Major Program and on  
Internal Control Over Compliance Required by the Uniform Guidance

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

**Opinion on Each Major Federal Program**

We have audited Pennsylvania Distance Learning Charter School's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Pennsylvania Distance Learning Charter School's major federal programs for the year ended June 30, 2023. Pennsylvania Distance Learning Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pennsylvania Distance Learning Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pennsylvania Distance Learning Charter School and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Pennsylvania Distance Learning Charter School's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Pennsylvania Distance Learning Charter School's federal programs.

## Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pennsylvania Distance Learning Charter School's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Pennsylvania Distance Learning Charter School's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Pennsylvania Distance Learning Charter School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Pennsylvania Distance Learning Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Pennsylvania Distance Learning Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Hill, Barth & King LLC*

Certified Public Accountants



**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended June 30, 2023

**SECTION 1 – SUMMARY OF AUDITOR’S RESULTS**

Type of Financial Statement Opinion	Unmodified
Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
Were there any material weaknesses in internal control reported for major federal programs?	No
Were there any other significant deficiencies in internal control reported for major federal programs?	No
Type of Major Programs’ Compliance Opinion	Unmodified
Are there reportable findings under the Uniform Guidance?	No
Major Programs (list):	Education Stabilization Fund Under The Coronavirus Aid, Relief and Economic Security Act AL No. 84.425
Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
Low Risk Auditee?	Yes

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Year ended June 30, 2023

**SECTION 2 – FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**SECTION 3 – FINDINGS AND QUESTIONED COSTS  
FOR MAJOR FEDERAL AWARD PROGRAMS**

None

**PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

Year ended June 30, 2023

None