

**Penn Hills Charter School
of Entrepreneurship
Financial Statements
June 30, 2022**

**Penn Hills Charter School of Entrepreneurship
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Independent Auditor's Report

Members of the Board
Penn Hills Charter School of Entrepreneurship
Pittsburgh, Pennsylvania

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Penn Hills Charter School of Entrepreneurship, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Penn Hills Charter School of Entrepreneurship's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Penn Hills Charter School of Entrepreneurship as of June 30, 2022, 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 Penn Hills Charter School of Entrepreneurship, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 12 to the financial statements, Penn Hills Charter School of Entrepreneurship adopted new accounting guidance, GASB Statement No. 87 "*Leases*". Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Penn Hills Charter School of Entrepreneurship'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 judgement 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 the expressing an opinion on the effectiveness of Penn Hills Charter School of Entrepreneurship'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Penn Hills Charter School of Entrepreneurship's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, post-employment benefit information and pension information, as shown in the table of contents, 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 Penn Hills Charter School of Entrepreneurship's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are 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 relate 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 8, 2022, on our consideration of Penn Hills Charter School of Entrepreneurship'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 Penn Hills Charter School of Entrepreneurship'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 Penn Hills Charter School of Entrepreneurship's internal control over financial reporting and compliance.

Hosack, Specht, Muetzl & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
December 8, 2022

**Penn Hills Charter School of Entrepreneurship
Management's Discussion and Analysis
June 30, 2022**

The discussion and analysis of Penn Hills Charter School of Entrepreneurship's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

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

Financial Highlights

The School received an average reimbursement of \$13,188 for each student and average daily membership (ADM) was 343 children. The School received an average reimbursement of \$35,847 for each child requiring specialized instruction because of a disability. The ADM for children requiring specialized instruction was 69.

Overall, revenues increased \$645,247 for the year to \$8,209,895. The increase was due to increase in special education students and increase in COVID-19 related federal funds.

Expenditures increased \$5,288,939 to \$12,271,747 for the year. The increase is due to construction expenditures and debt service expenditures.

Using the Annual Financial Report

The Annual Financial Report consists of a financial section and a single audit section which is issued to comply with federal guidelines as required in the Government Auditing Standards and the Uniform Grant Guidance. Within the financial section are the management's discussion and analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Penn Hills Charter School of Entrepreneurship as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the School's operations in more detail than the government-wide statements. The governmental statements tell how general School services were financed in the short term and show what resources remain for future spending.

Proprietary fund statements are for short and long-term financial information about the School's food service fund and internal service fund. The financial statements also include notes to explain some of the information in the financial statements and provide more detailed data.

**Penn Hills Charter School of Entrepreneurship
Management's Discussion and Analysis
June 30, 2022**

Figure A-1 shows how the required parts of the financial section are arranged and relate to one another:

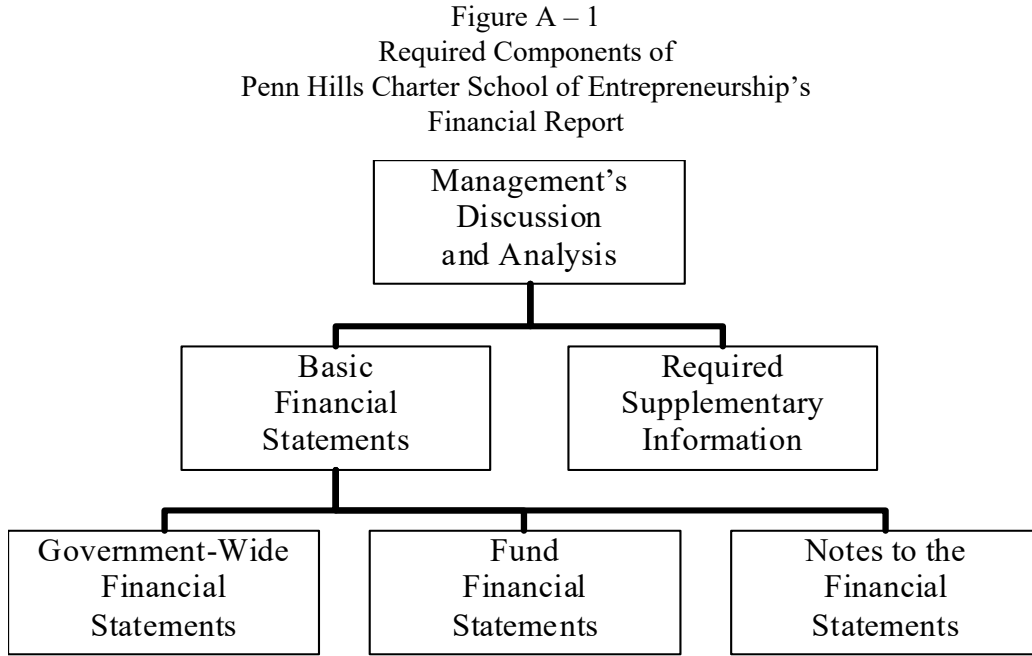


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Penn Hills Charter School of Entrepreneurship
Management's Discussion and Analysis
June 30, 2022**

Figure A – 2
Major Features of Penn Hills Charter School of Entrepreneurship's
Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as education, administration and community services	Activities the School operates similar to private business - food services	Instances in which the School is the trustee or agent to someone else's resources
Required financial statements	Statement of net position; statement of activities	Balance sheet; statement of revenues, expenditures, and changes in fund balance	Statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows	Statement of fiduciary net position; statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of in-flow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

**Penn Hills Charter School of Entrepreneurship
Management's Discussion and Analysis
June 30, 2022**

Overview of Financial Statements

Government-Wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred inflows, liabilities and deferred outflows. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School's net position and how they have changed. Net position, the residual equity balance of the components of net position (assets, deferred outflows, liabilities and deferred inflows), is only one way to measure the School's financial health or position.

Over time, increases or decreases in the School's net position are an indication of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the School are divided into two categories:

- **Governmental activities** - All of the School's basic services are included here, such as instruction, administration and community services. Tuition, state and federal subsidies and grants finance most of these activities.
- **Business-type activities** - The School operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The School's fund financial statements, which begin with Exhibit 3 of the annual financial report, provide detailed information about the most significant funds - not the School as a whole.

Governmental funds - The School has two funds, the general fund and the capital projects fund, governmental funds, which focus on the determination of financial position and changes in financial position. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's operations and the services it provides.

Proprietary funds - These funds are used to account for the School activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School charges customers for services it provides - whether to outside customers or to other units in the School - these services are generally reported in proprietary funds. The food service fund is one of the School's proprietary funds and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

**Penn Hills Charter School of Entrepreneurship
Management's Discussion and Analysis
June 30, 2022**

Financial Analysis of the School as a Whole

The School's total net position was a deficit \$(5,132,064) at June 30, 2022 and a deficit \$(4,516,402) at June 30, 2021.

Table A - 1
Years Ended June 30, 2022 and 2021
Net Position

	2022			2021		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 11,466,472	\$ 15,514	\$ 11,481,986	\$ 2,265,711	\$ 1,201	\$ 2,266,912
Capital Assets	<u>5,721,978</u>	<u>3,666</u>	<u>5,725,644</u>	<u>4,473,047</u>	<u>5,747</u>	<u>4,478,794</u>
Total Assets	<u>17,188,450</u>	<u>19,180</u>	<u>17,207,630</u>	<u>6,738,758</u>	<u>6,948</u>	<u>6,745,706</u>
Deferred Outflows of Resources	<u>1,402,224</u>	<u>88,989</u>	<u>1,491,213</u>	<u>2,457,864</u>	<u>157,042</u>	<u>2,614,906</u>
Current and Other Liabilities	920,176	24,776	944,952	636,169	30,560	666,729
Noncurrent Liabilities						
Due Within One Year	17,049	-	17,049	83,385	-	83,385
Due in More Than One Year	<u>20,299,705</u>	<u>415,201</u>	<u>20,714,906</u>	<u>11,369,686</u>	<u>591,015</u>	<u>11,960,701</u>
Total Liabilities	<u>21,236,930</u>	<u>439,977</u>	<u>21,676,907</u>	<u>12,089,240</u>	<u>621,575</u>	<u>12,710,815</u>
Deferred Inflows of Resources	<u>2,036,954</u>	<u>117,046</u>	<u>2,154,000</u>	<u>1,092,923</u>	<u>73,276</u>	<u>1,166,199</u>
Net Position						
Net Investment in Capital Assets	(7,368,977)	3,666	(7,365,311)	1,834,961	5,747	1,840,708
Restricted	9,109,015	-	9,109,015	-	-	-
Unrestricted	<u>(6,423,248)</u>	<u>(452,520)</u>	<u>(6,875,768)</u>	<u>(5,820,502)</u>	<u>(536,608)</u>	<u>(6,357,110)</u>
Total Net Position	<u>\$ (4,683,210)</u>	<u>\$ (448,854)</u>	<u>\$ (5,132,064)</u>	<u>\$ (3,985,541)</u>	<u>\$ (530,861)</u>	<u>\$ (4,516,402)</u>

The results of this year's operations as a whole are reported in the statement of activities on Exhibit 2, which shows changes in net position. Table A-2 summarizes the information in the statement of activities and provides a comparison between fiscal year 2022 and 2021.

**Penn Hills Charter School of Entrepreneurship
Management's Discussion and Analysis
June 30, 2022**

Table A - 2
Years Ended June 30, 2022 and 2021
Changes in Net Position

	2022			2021		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues and Transfers						
Program Revenues						
Charges for Services	\$ 7,227,196	\$ -	\$ 7,227,196	\$ 6,684,029	\$ -	\$ 6,684,029
Operating Grants and Contribs.	820,118	496,178	1,316,296	1,150,103	162,555	1,312,658
General Revenues						
Grants, Subsidies and Contribs.						
Unrestricted	40,914	-	40,914	8,348	-	8,348
Other	118,478	-	118,478	10,002	-	10,002
Investment Earnings	3,189	-	3,189	2,660	-	2,660
Transfers	(84,329)	84,329	-	(258,233)	258,233	-
Total Revenues and Transfers	8,125,566	580,507	8,706,073	7,596,909	420,788	8,017,697
Expenses						
Instruction	4,304,194	-	4,304,194	4,673,834	-	4,673,834
Instructional Student Support	696,258	-	696,258	732,066	-	732,066
Admin. and Fin. Support Svcs.	2,295,422	-	2,295,422	1,423,606	-	1,423,606
Operation and Maintenance						
of Plant Services	624,318	-	624,318	618,311	-	618,311
Pupil Transportation	81,124	-	81,124	8,943	-	8,943
Student Activities	164,841	-	164,841	31,718	-	31,718
Community Services	38,650	-	38,650	29,679	-	29,679
Interest on Long-Term Debt	615,697	-	615,697	179,880	-	179,880
Food Service	-	498,500	498,500	-	560,249	560,249
Total Expenses	8,820,504	498,500	9,319,004	7,698,037	560,249	8,258,286
Increase (Decrease) in Net Position	(694,938)	82,007	(612,931)	(101,128)	(139,461)	(240,589)
Beginning Net Position						
(Restated - See Note 12)	(3,988,272)	(530,861)	(4,519,133)	(3,884,413)	(391,400)	(4,275,813)
Ending Net Position	\$ (4,683,210)	\$ (448,854)	\$ (5,132,064)	\$ (3,985,541)	\$ (530,861)	\$ (4,516,402)

**Penn Hills Charter School of Entrepreneurship
Management's Discussion and Analysis
June 30, 2022**

The tables below present the expenses of both the governmental activities and the business-type activities of the School.

Table A-3 shows the School's largest functions, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by other miscellaneous revenues.

Table A - 3
Years Ended June 30, 2022 and 2021
Governmental Activities

	2022		2021	
Functions/Programs	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Instruction	\$ 4,304,194	\$ 47,105	\$ 4,673,834	\$ (194,704)
Instructional Student Support	696,258	(82,258)	732,066	(37,379)
Admin. and Fin. Support Svcs.	2,295,422	134,858	1,423,606	(77,635)
Operation and Maintenance of Plant Services	624,318	13,628	618,311	(33,719)
Pupil Transportation	81,124	1,817	8,943	(488)
Student Activities	164,841	3,693	31,718	(1,729)
Community Services	38,650	38,650	29,679	29,679
Interest on Long-Term Debt	615,697	615,697	179,880	179,880
Total Governmental Activities	\$ 8,820,504	773,190	\$ 7,698,037	(136,095)
Less:				
Unrestricted Grants, Subsidies		(40,914)		(8,348)
Total Needs from Local Taxes and Other Revenues		\$ 732,276		\$ (144,443)

**Penn Hills Charter School of Entrepreneurship
Management's Discussion and Analysis
June 30, 2022**

Table A - 4
Years Ended June 30, 2022 and 2021
Business-Type Activities

	2022		2021	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Food Service	<u>\$ 498,500</u>	\$ (2,322)	<u>\$ 560,249</u>	\$ 397,694
Add/Less:				
Transfers		<u>84,329</u>		<u>(258,233)</u>
Total Business-Type Activities		<u>\$ 82,007</u>		<u>\$ 139,461</u>

The statement of revenues, expenses and changes in fund net position for this proprietary fund shown on Exhibit 8 will further detail the actual results of operations.

School Funds

General Fund

As of June 30, 2022, the School had a general fund balance of \$1,535,806.

General Fund Budget

Our audit shows the School's original and final budget amounts compared with amounts actually paid for each category of the budget. This schedule can be found in the required supplementary information section of this report.

Capital Assets and Debt Administration

At June 30, 2022, the School had governmental capital assets of \$5,684,320 which is comprised of buildings, building improvements, furniture and equipment, land and construction in progress.

Table A - 5
Governmental Activities
Capital Assets - Net of Depreciation

	2022	2021
Land and Land Improvements	\$ 839,090	\$ 839,090
Buildings and Building Improvements	3,314,532	3,514,374
Furniture and Equipment	40,495	119,583
Construction in Progress	1,490,203	-

**Penn Hills Charter School of Entrepreneurship
Management's Discussion and Analysis
June 30, 2022**

During the year ended June 30, 2022, the School issued \$12,210,000 in bonds payable and retired principal from existing note of \$2,638,086. The total outstanding bond principal at June 30, 2022 is \$12,210,000.

Economic Factors and Next Year's Budget and Rates

Penn Hills Charter School of Entrepreneurship's capacity will be at 460 children, and the School will be serving children in grades kindergarten through eighth. We expect the School to continue to draw students from a number of school districts. Children residing in thirteen school districts attended during 2021/2022. Enrollment from the chartering district, Penn Hills, is projected to decrease from 76% to 69% of the total.

The 2022/2023 revenue budget is based upon an enrollment of 451 children with an average per-pupil reimbursement estimated conservatively at \$16,817. Revenue from this source was budgeted at \$7,584,753. Special education pupils are estimated to remain constant at 77 and the budgeted special education premium is \$36,032 per eligible student and is included in the above amount. State and federal reimbursement programs are included in the budget at \$2,069,880. Budgeted total revenue for the 2022/2023 school year is \$9,710,900 for the general fund.

The comparison of revenue and expenditure categories is as follows:

Table A - 6

	Budgeted Revenue 2022/2023	Actual Revenue 2021/2022
Local	78.7%	91.1%
State	0.8%	0.5%
Federal/Other	20.5%	8.4%
	Budgeted Expenditures 2022/2023	Actual Expenditures 2021/2022
Instruction	57.2%	45.4%
Support Services	31.2%	36.6%
Noninstructional Services	7.3%	2.4%
Fund Transfers/Debt/Other	4.3%	15.6%

Contacting the School Financial Management

All financial reports and audits are designed to provide parents, students, investors, and creditors a general overview of the School's finances and to show accountability for all aspects of its finances. If you have questions about this report or wish to request additional information, please contact: Dr. Wayne Jones, Penn Hills Charter School of Entrepreneurship, 2501 Main Street, Pittsburgh, PA 15235.

Penn Hills Charter School of Entrepreneurship
Statement of Net Position
June 30, 2022

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 9,990,611	\$ 1,201	\$ 9,991,812
Due From Other Governments	1,355,033	14,313	1,369,346
Other Receivables	28,423	-	28,423
Prepaid Items	92,405	-	92,405
Capital Assets not Being Depreciated			
Land	839,090	-	839,090
Construction in Progress	1,490,203	-	1,490,203
Capital Assets, Net of Accumulated Depreciation			
Building & Building Improvements	3,314,532	-	3,314,532
Furniture & Equipment	40,495	3,666	44,161
Intangible Right-to-Use Assets, Net of Amort.	37,658	-	37,658
TOTAL ASSETS	17,188,450	19,180	17,207,630
DEFERRED OUTFLOWS OF RESOURCES			
Amounts Related to OPEB - PSERS	136,427	8,033	144,460
Amounts Related to Pension	1,265,797	80,956	1,346,753
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,402,224	88,989	1,491,213
LIABILITIES			
Accounts Payable	380,545	-	380,545
Accrued Salaries and Benefits	495,606	24,776	520,382
Payroll Deductions and Withholdings	32,485	-	32,485
Unearned Revenues	11,540	-	11,540
Noncurrent Liabilities:			
Due Within One Year	17,049	-	17,049
Due in More Than One Year:			
Lease Payable	23,514	-	23,514
Bonds Payable	13,050,392	-	13,050,392
Other Post-Employment Benefits - PSERS	392,449	22,551	415,000
Net Pension Liability	6,833,350	392,650	7,226,000
TOTAL LIABILITIES	21,236,930	439,977	21,676,907
DEFERRED INFLOWS OF RESOURCES			
Amounts Related to OPEB - PSERS	54,848	3,152	58,000
Amounts Related to Pension	1,982,106	113,894	2,096,000
TOTAL DEFERRED INFLOWS OF RESOURCES	2,036,954	117,046	2,154,000
NET POSITION			
Net Investment in Capital Assets	(7,368,977)	3,666	(7,365,311)
Restricted for:			
Debt Service	1,511,217	-	1,511,217
Capital Projects	7,597,798	-	7,597,798
Unrestricted	(6,423,248)	(452,520)	(6,875,768)
TOTAL NET POSITION	\$ (4,683,210)	\$ (448,854)	\$ (5,132,064)

See Accompanying Notes

Penn Hills Charter School of Entrepreneurship
Statement of Activities
Year Ended June 30, 2022

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:						
Instruction	\$ 4,304,194	\$ 3,560,351	\$ 696,738	\$ (47,105)	\$ -	\$ (47,105)
Instructional Student Support	696,258	670,973	107,543	82,258	-	82,258
Administrative and Financial Support Services	2,295,422	2,160,564	-	(134,858)	-	(134,858)
Operation and Maintenance of Plant Services	624,318	594,853	15,837	(13,628)	-	(13,628)
Pupil Transportation	81,124	79,307	-	(1,817)	-	(1,817)
Student Activities	164,841	161,148	-	(3,693)	-	(3,693)
Community Services	38,650	-	-	(38,650)	-	(38,650)
Interest on Long-Term Debt	615,697	-	-	(615,697)	-	(615,697)
Total Governmental Activities	8,820,504	7,227,196	820,118	(773,190)	-	(773,190)
Business-type Activities:						
Food Service	498,500	-	496,178	-	(2,322)	(2,322)
Total Primary Government	\$ 9,319,004	\$ 7,227,196	\$ 1,316,296	(773,190)	(2,322)	(775,512)
General Revenues and Transfers						
Grants, Subsidies and Contributions not Restricted				40,914	-	40,914
Investment Earnings				3,189	-	3,189
Miscellaneous Income				118,478	-	118,478
Transfers				(84,329)	84,329	-
Total General Revenues and Transfers				78,252	84,329	162,581
Change in Net Position				(694,938)	82,007	(612,931)
Net Position - July 1, 2021 (Restated - See Note 12)				(3,988,272)	(530,861)	(4,519,133)
Net Position - June 30, 2022				\$ (4,683,210)	\$ (448,854)	\$ (5,132,064)

See Accompanying Notes

Penn Hills Charter School of Entrepreneurship
Balance Sheet
Governmental Funds
June 30, 2022

Exhibit 3

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 968,381	\$ 1,411,191	\$ 7,611,039	\$ 9,990,611
Due from Other Funds	-	-	1,501	1,501
Due from Other Governments	1,355,033	-	-	1,355,033
Other Receivables	28,423	-	-	28,423
Prepaid Items	92,405	-	-	92,405
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 2,444,242</u></u>	<u><u>\$ 1,411,191</u></u>	<u><u>\$ 7,612,540</u></u>	<u><u>\$ 11,467,973</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to Other Funds	\$ 1,501	\$ -	\$ -	\$ 1,501
Accounts Payable	367,304	-	13,241	380,545
Accrued Salaries and Benefits	495,606	-	-	495,606
Payroll Deductions and Withholdings	32,485	-	-	32,485
Unearned Revenues	11,540	-	-	11,540
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>908,436</u>	<u>-</u>	<u>13,241</u>	<u>921,677</u>
Fund Balances				
Nonspendable	92,405	-	-	92,405
Restricted	100,026	1,411,191	7,597,798	9,109,015
Assigned	-	-	1,501	1,501
Unassigned	1,343,375	-	-	1,343,375
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>1,535,806</u>	<u>1,411,191</u>	<u>7,599,299</u>	<u>10,546,296</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,444,242</u></u>	<u><u>\$ 1,411,191</u></u>	<u><u>\$ 7,612,540</u></u>	<u><u>\$ 11,467,973</u></u>

See Accompanying Notes

**Penn Hills Charter School of Entrepreneurship
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022**

Exhibit 4

Total Fund Balances - Governmental Funds \$ 10,546,296

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$7,832,490, and the accumulated depreciation is \$2,148,170. 5,684,320

Intangible right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The value of these assets is \$83,685 and the accumulated amortization is \$46,027. 37,658

Premiums and discounts on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position. (840,392)

Long-term liabilities, including bonds, notes and capital leases payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds Payable	\$ (12,210,000)	
Leases Payable	<u>(40,563)</u>	(12,250,563)

Some liabilities including net pension obligations and OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

OPEB Liability - PSERS	(392,449)	
Net Pension Liability	<u>(6,833,350)</u>	(7,225,799)

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred Outflows of Resources Related to Pensions	1,265,797	
Deferred Inflows of Resources Related to Pensions	(1,982,106)	
Deferred Outflows of Resources Related to OPEB - PSERS	136,427	
Deferred Inflows of Resources Related to OPEB - PSERS	<u>(54,848)</u>	<u>(634,730)</u>

Total Net Position - Governmental Activities \$ (4,683,210)

See Accompanying Notes

**Penn Hills Charter School of Entrepreneurship
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2022**

Exhibit 5

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Local Sources	\$ 7,473,475	\$ 417	\$ 1,936	\$ 7,475,828
State Sources	41,934	-	-	41,934
Federal Sources	692,133	-	-	692,133
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	8,207,542	417	1,936	8,209,895
Expenditures				
Instruction	3,766,188	-	-	3,766,188
Support Services	3,034,216	494,990	-	3,529,206
Noninstructional Services	203,261	-	-	203,261
Capital Outlay	1,064,847	-	425,356	1,490,203
Debt Service (Principal & Interest)	146,936	3,135,953	-	3,282,889
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	8,215,448	3,630,943	425,356	12,271,747
Excess (Deficiency) of Revenues Over Expenditures				
	<hr/> <u>(7,906)</u>	<hr/> <u>(3,630,526)</u>	<hr/> <u>(423,420)</u>	<hr/> <u>(4,061,852)</u>
Other Financing Sources (Uses)				
Issuance of Refunding Bonds	-	12,210,000	-	12,210,000
(Discount) Premium on Bonds Issued	-	852,935	-	852,935
Transfers In	-	-	8,021,218	8,021,218
Transfers Out	(84,329)	(8,021,218)	-	(8,105,547)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(84,329)	5,041,717	8,021,218	12,978,606
Net Changes in Fund Balances				
	(92,235)	1,411,191	7,597,798	8,916,754
Fund Balances - July 1, 2021				
	<hr/> <u>1,628,041</u>	<hr/> <u>-</u>	<hr/> <u>1,501</u>	<hr/> <u>1,629,542</u>
Fund Balances - June 30, 2022				
	<hr/> <u>\$ 1,535,806</u>	<hr/> <u>\$ 1,411,191</u>	<hr/> <u>\$ 7,599,299</u>	<hr/> <u>\$ 10,546,296</u>

See Accompanying Notes

**Penn Hills Charter School of Entrepreneurship
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
to the Statement of Activities
Year Ended June 30, 2022**

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds \$ 8,916,754

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the period.

Depreciation Expense	\$ (278,930)	
Intangible Right-to-Use Assets Amortization	(16,737)	
Capital Outlays	1,490,203	1,194,536

Payments for the intangible right-to-use assets are reported as principal and interest in governmental funds, but in the statement of activities, the asset is amortized and the repayment reduces the long-term liabilities in the statement of net position. 16,563

Repayment of note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,638,086

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide financial statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. The proceeds were: (12,210,000)

In the statement of activities, certain operating expenses other post-employment benefits (OPEB) are measured by the amounts earned during the year. In governmental funds, however, expenditures for the items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Other Post-Employment Benefits		(26,349)
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**Penn Hills Charter School of Entrepreneurship
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures
 and Changes in Fund Balances
 to the Statement of Activities
 Year Ended June 30, 2022**

Exhibit 6

Bond discount, premium and deferred charges on bonds are reported in the statement of revenues and expenditures of governmental funds as expenditures but are capitalized and amortized over the life of the bonds in the statement of activities.

Bond Premium	(852,935)	
Amortization of Premium	12,543	(840,392)

Governmental funds report School pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense.

School Pension Contributions to PSERS	688,202	
Cost of Benefits Earned	(1,072,338)	(384,136)

Change in Net Position of Governmental Activities		\$ (694,938)
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See Accompanying Notes

Penn Hills Charter School of Entrepreneurship
Statement of Net Position
Proprietary Funds
June 30, 2022

Exhibit 7

		Food Service Fund
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$	1,201
Due From Other Governments		<u>14,313</u>
Total Current Assets		<u>15,514</u>
Noncurrent Assets		
Furniture and Equipment, Net		<u>3,666</u>
TOTAL ASSETS		<u>19,180</u>
DEFERRED OUTFLOWS OF RESOURCES		
Amounts Related to Pensions		80,956
Amounts Related to OPEB - PSERS		<u>8,033</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES		<u>88,989</u>
LIABILITIES		
Current Liabilities		
Accrued Salaries and Benefits		<u>24,776</u>
Noncurrent Liabilities		
Net Pension Liability		392,650
Net OPEB Liability - PSERS		<u>22,551</u>
Total Noncurrent Liabilities		<u>415,201</u>
TOTAL LIABILITIES		<u>439,977</u>
DEFERRED INFLOWS OF RESOURCES		
Amounts Related to Pensions		113,894
Amounts Related to OPEB - PSERS		<u>3,152</u>
TOTAL DEFERRED INFLOWS OF RESOURCES		<u>117,046</u>
NET POSITION		
Invested in Capital Assets		3,666
Unrestricted		<u>(452,520)</u>
TOTAL NET POSITION	\$	<u><u>(448,854)</u></u>

See Accompanying Notes

Penn Hills Charter School of Entrepreneurship
Statement of Revenues, Expenses and Changes
in Net Position
Proprietary Funds
Year Ended June 30, 2022

Exhibit 8

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$ <u>-</u>
Operating Expenses	
Salaries	189,255
Employee Benefits	117,048
Supplies	190,116
Depreciation	<u>2,081</u>
Total Operating Expenses	<u>498,500</u>
Operating Income (Loss)	<u>(498,500)</u>
Nonoperating Revenues (Expenses)	
State Sources	11,410
Federal Sources	420,777
Changes in Pension and OPEB	<u>63,991</u>
Total Nonoperating Revenues (Expenses)	<u>496,178</u>
Income (Loss) Before Transfers	(2,322)
Transfers In (Out)	<u>84,329</u>
Change in Net Position	82,007
Net Position - July 1, 2021	<u>(530,861)</u>
Net Position - June 30, 2022	<u><u>\$ (448,854)</u></u>

See Accompanying Notes

**Penn Hills Charter School of Entrepreneurship
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022**

Exhibit 9

	Food Service Fund
Cash Flows From Operating Activities	
Cash Payments to Employees for Services	\$ (306,114)
Cash Payments to Suppliers for Goods and Services	<u>(196,089)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(502,203)</u>
Cash Flows From Non-Capital Financing Activities	
State Sources	10,969
Federal Sources	406,905
Operating Transfers In (Out)	<u>84,329</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>502,203</u>
Net Increase (Decrease) in Cash and Cash Flows	-
Cash and Cash Equivalents - July 1, 2021	<u>1,201</u>
Cash and Cash Equivalents - June 30, 2022	<u>\$ 1,201</u>
Operating Income (Loss)	\$ (498,500)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Depreciation	2,081
Increase (Decrease) in Accounts Payable	<u>(5,784)</u>
Total Adjustments	<u>(3,703)</u>
Cash Provided by (Used for) Operating Activities	<u>\$ (502,203)</u>

See Accompanying Notes

Penn Hills Charter School of Entrepreneurship
Notes to Financial Statements
June 30, 2022

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Penn Hills Charter School of Entrepreneurship conform to generally accepted accounting principles as applied to governments, and in accordance with reporting procedures established for Pennsylvania school systems. Penn Hills Charter School of Entrepreneurship was granted a charter pursuant to the authority vested in the Board of School Directors of Penn Hills School District under the Public School Code of 1949, as amended, and the Pennsylvania Charter Schools Law (Act No. 1997-22) through June 30, 2021. The charter was renewed for the period July 1, 2021 through June 30, 2026. The School provides education for students from kindergarten to grade eight. The fiscal year ended June 30, 2022 was the eleventh year of operations for the School. Penn Hills Charter School of Entrepreneurship is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements.

A. Basic Financial Statements - Government-Wide Statements

The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Penn Hills Charter School of Entrepreneurship. *Governmental activities*, which normally are supported by tuition and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net position, governmental activities are represented on a consolidated basis by column.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. General contributions and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

B. Basic Financial Statements - Fund Financial Statements

Fund financial statements of the School are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three categories: governmental; proprietary; and fiduciary. The School reports no fiduciary type funds.

The emphasis in fund financial statements is on the major funds in the governmental category. Nonmajor funds are summarized in a single column. The nonmajor funds are combined in a column in the fund financial statements.

Penn Hills Charter School of Entrepreneurship
Notes to Financial Statements
June 30, 2022

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and change in financial position (sources, uses, and balances of financial resources) rather than upon net income. The School reports the following major governmental funds and fund types:

The *general fund* is the School's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for financial resources to be used for the issuance and repayment of long-term debt.

The *capital projects fund* accounts for financial resources to be used for the acquisition or construction of facilities and equipment.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The School reports the following proprietary fund type:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The *food service fund* accounts for the revenues, food purchases and other costs and expenses for providing meals to students and/or faculty during the school year.

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

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

Penn Hills Charter School of Entrepreneurship
Notes to Financial Statements
June 30, 2022

C. Measurement Focus and Basis of Accounting

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

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

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 60 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 60 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 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

D. Financial Statement Amounts

1. Cash and Cash Equivalents

The School's policy is to maintain cash balances in interest-bearing accounts such as money market or flex funds. The market values of the funds approximate cost. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Penn Hills Charter School of Entrepreneurship
Notes to Financial Statements
June 30, 2022

2. Investments

Investments are stated at fair value except that treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. Fair value is based on quoted market prices. Funds are invested pursuant to the Public School Code of 1949 and investment policy guidelines established by the School and approved by the Members of the Board. The School Code states that authorized types of investments shall be: United States Treasury Bills; short-term obligations of the United States Government or its agencies or instrumentalities; deposits in savings accounts, time deposits or share accounts of institutions insured by the FDIC; obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States and the Commonwealth of Pennsylvania.

3. Budgets

The Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the general fund. This is the only fund for which a budget is required. The general fund is the only fund that has an annual budget that has been legally adopted by the Board. The Public School Code allows the Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. There were no supplemental budgetary appropriations made during the year ended June 30, 2022.

The final budget data reflected in the financial statements includes the effect of approved budget transfer amendments and, for comparative purposes, the actual amounts have also been presented. The School's expenditures may not legally exceed the revised budget amounts by function. Function is defined as a program area such as instructional services. Management may amend the budget without seeking prior approval of the Board within a function. Amendments between functions require prior Board approval. Excess of expenditures over appropriations in the general fund is presented in the required supplementary information section.

4. Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used.

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund. The inventories in the general fund are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets. The governmental funds had no material inventory balances as of June 30, 2022.

5. 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.

Penn Hills Charter School of Entrepreneurship
Notes to Financial Statements
June 30, 2022

6. Capital Assets

Capital assets, which include property, plant, equipment and land improvements are reported in the governmental columns in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building Improvements	15
Furniture & Equipment	3-15

7. Intangible Right-to-Use Assets

The School has recorded intangible right-to-use assets as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payment made prior to the lease term, less any lease incentives, and plus any ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discount are reported as deferred charges and amortized over the term of the related debt, where applicable.

In the fund financial statements, governmental fund types recognize bond premiums and discount during the current period. The face amount of debt issued, including capital leases, is reported as other financing sources while discount on debt issuances are reported as other financing uses.

9. Compensated Absences

The School's policies regarding vacation and sick time under various agreements, provide limited accumulation and payment for unused sick and vacation leave. There was no material accrual as of June 30, 2022.

Penn Hills Charter School of Entrepreneurship
Notes to Financial Statements
June 30, 2022

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represent a consumption of net assets that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School only has two items that qualify for reporting in this category. It is the deferred outflows related to the participation in the cost-sharing defined benefit pension and OPEB plan reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represent an acquisition of net assets that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The School has only two types of items also relating to the cost-sharing defined benefit pension and OPEB plan and only reported in the government-wide statement of net position.

11. Government-wide and Proprietary Fund Net Position

Government-wide and proprietary fund 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 - all other net position is reported in this category.

12. 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. The amount reported in the general fund is for prepaid items as of June 30, 2022.

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 payments and includes a legally enforceable requirement on the use of these funds. The amount reported in the General Fund and Debt Service Fund is for future debt service payments. The amount reported in the Capital Projects Fund is for future capital construction and purchases.

Penn Hills Charter School of Entrepreneurship
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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, 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 amount reported in the Capital Projects fund is for future capital purchases.

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 executive director or business manager.

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.

13. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the School's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the School's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances.

Note 2 - Deposits and Investments

The deposit and investment policy of the School adheres to state statutes and prudent business practice. 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.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. As of June 30, 2022, \$570,773 of the School's bank balance of \$820,773 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Pledging Bank's Agent not in the School's Name	<u>\$570,773</u>
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As of June 30, 2022, the School had investments in JP Morgan 100% US Treasury Securities Money Market Fund. The fair value was \$9,122,257 as of June 30, 2022.

Interest Rate Risk - The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risks - The Pennsylvania Public School Code authorizes the types of investments allowed. These are described in Note 1D. The School has no investment policy that would further limit its investment choices.

Penn Hills Charter School of Entrepreneurship
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Note 3 - Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the School. At June 30, 2022, the following amounts are due from other governmental units:

	Governmental Funds
Federal (through the state)	\$ 406,099
State	26,667
Local	<u>922,267</u>
	<u>\$ 1,355,033</u>

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance 07/01/21	Additions	Transfers	Balance 06/30/22
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 839,090	\$ -	\$ -	\$ 839,090
Construction in Progress	<u>-</u>	<u>1,490,203</u>	<u>-</u>	<u>1,490,203</u>
Total Capital Assets not Being Depreciated	<u>839,090</u>	<u>1,490,203</u>	<u>-</u>	<u>2,329,293</u>
Capital Assets Being Depreciated				
Buildings and Building Improv.	4,622,212	-	-	4,622,212
Furniture and Equipment	<u>880,985</u>	<u>-</u>	<u>-</u>	<u>880,985</u>
Total Capital Assets Being Depreciated	<u>5,503,197</u>	<u>-</u>	<u>-</u>	<u>5,503,197</u>
Less Accumulated Depreciation				
Buildings and Building Improv.	1,107,838	199,842	-	1,307,680
Furniture and Equipment	<u>761,402</u>	<u>79,088</u>	<u>-</u>	<u>840,490</u>
Total Accumulated Depreciation	<u>1,869,240</u>	<u>278,930</u>	<u>-</u>	<u>2,148,170</u>
Total Capital Assets Being Depreciated, Net	<u>3,633,957</u>	<u>(278,930)</u>	<u>-</u>	<u>3,355,027</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,473,047</u>	<u>\$ 1,211,273</u>	<u>\$ -</u>	<u>\$ 5,684,320</u>

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	Balance 07/01/21	Additions	Transfers	Balance 06/30/22
Business-Type Activities				
Furniture and Equipment	\$ 31,095	\$ -	\$ -	\$ 31,095
Less Accumulated Depreciation and Equipment	<u>25,348</u>	<u>2,081</u>	<u>-</u>	<u>27,429</u>
Business-Type Activities Capital Assets, Net	<u><u>\$ 5,747</u></u>	<u><u>\$ (2,081)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,666</u></u>
Governmental Activities				
Intangible Right-to-use Assets:				
Leased Buildings	<u>\$ 83,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,685</u>
Less Accumulated Amortization	<u>29,290</u>	<u>16,737</u>	<u>-</u>	<u>46,027</u>
Net Intangible Right-to-use Assets	<u><u>\$ 54,395</u></u>	<u><u>\$ (16,737)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 37,658</u></u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

Instruction	\$ 251,036
Administration and Financial Support Services	13,947
Operation and Maintenance of Plant Services	<u>13,947</u>

Total Depreciation Expense \$ 278,930

Business-Type Activities - Food Service \$ 2,081

Governmental Activities

Intangible Right-to-use Assets:	
Administration and Financial Support Services	<u><u>\$ 16,737</u></u>

Penn Hills Charter School of Entrepreneurship
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Note 5 - Interfund Balances/Transfers

At June 30, 2022, interfund balances were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ -	\$ 1,501
Capital Projects Fund	<u>1,501</u>	<u>-</u>
	<u>\$ 1,501</u>	<u>\$ 1,501</u>

Balances resulted from time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All the balances above are expected to be collected in the subsequent year.

The general fund transferred \$84,329 to the food service fund to support operations.

Note 6 - Long-Term Liabilities

Long-term liability for the year ended June 30, 2022 was as follows:

	Balance 07/01/21	Additions	Reductions	Balance 06/30/22	Due Within One Year
Governmental Activities					
Bonds Payable					
Revenue Bonds	\$ -	\$ 12,210,000	\$ -	\$ 12,210,000	\$ -
Plus: Bond Premium	<u>-</u>	<u>852,935</u>	<u>12,543</u>	<u>840,392</u>	<u>-</u>
Total Bonds Payable	<u>-</u>	<u>13,062,935</u>	<u>12,543</u>	<u>13,050,392</u>	<u>-</u>
Notes Payable	<u>2,638,086</u>	<u>-</u>	<u>2,638,086</u>	<u>-</u>	<u>-</u>
Governmental Activities	<u>\$ 2,638,086</u>	<u>\$ 13,062,935</u>	<u>\$ 2,650,629</u>	<u>\$ 13,050,392</u>	<u>\$ -</u>
Lease Liabilities	<u>\$ 57,126</u>	<u>\$ -</u>	<u>\$ 16,563</u>	<u>\$ 40,563</u>	<u>\$ 17,049</u>
Total Long-Term Obligations as Reported in the Statement of Net Position				<u>\$ 13,090,955</u>	<u>\$ 17,049</u>

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On September 26, 2018, the School entered into an agreement with Reinvestment Fund, Inc. for a note payable in the amount of \$2,835,000 for the purchase of the school building. The interest rate shall accrue on the outstanding balance at a fixed rate of 6.71%. Monthly principal and interest payments are due commencing on November 1, 2018 and continuing until September 26, 2023 when the full outstanding balance and all accrued and unpaid interest is due. The Note is secured by the property owned by the School, any improvements to the properties, and all future revenue, rents and profits. The note contains a provision that in event of default: 1) the interest rate is adjusted to 11.71%, 2) the entire unpaid balance becomes due and payable immediately and 3) if the School is unable to make payment, the Lender will institute and maintain action of foreclosure. The full amount of the note payable was paid in full during the year ended June 30, 2022.

Revenue Bonds

Charter School Revenue Bonds Series of 2021A in the original amount of \$11,975,000; 4.000% interest payable in semiannual installments; final payment due December 15, 2056.

\$ 11,975,000

Charter School Revenue Bonds Series of 2021B in the original amount of \$235,000; 4.750% interest payable in semiannual installments; final payment due December 15, 2026.

235,000

\$ 12,210,000

The annual requirements of School funds to amortize all debt outstanding, as of June 30, 2022, including interest, are as follows:

Year Ended June 30,	Revenue Bonds Payable		Totals
	Principal	Interest	
2023	\$ -	\$ 490,163	\$ 490,163
2024	155,000	490,163	645,163
2025	180,000	483,400	663,400
2026	190,000	475,600	665,600
2027	195,000	467,400	662,400
2028-2032	1,105,000	2,213,200	3,318,200
2033-2037	1,350,000	1,973,000	3,323,000
2038-2042	1,635,000	1,681,600	3,316,600
2043-2047	1,995,000	1,326,600	3,321,600
2048-2052	2,425,000	895,000	3,320,000
2053-2056	<u>2,980,000</u>	<u>342,600</u>	<u>3,322,600</u>
	<u>\$12,210,000</u>	<u>\$10,838,726</u>	<u>\$ 23,048,726</u>

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On September 28, 2020, the School District issued \$12,210,000 Series 2021 A and Series 2021 B Bonds with interest rates of 4.00% to 4.75% to currently refund the outstanding note payable (\$2,597,091) with a 6.71% interest rate and provide funds for capital projects. The net proceeds of \$12,543,376 (after payment of issuance costs) were used to currently refund the above note and outstanding interest (\$2,900,403), provide funds for capital projects (\$8,000,000) and provide funds for debt service reserve (\$1,642,973).

Note 7 – Lease Liabilities

On May 10, 2019, the School entered into an agreement to lease additional office space. The term of the lease is for five years commencing on the date in which the landlord delivers possession of the premises to the School, which took place in September 2019. The rent is to be paid in monthly installments of \$1,500 for the first three years and \$1,600 for the final two years of the lease. The lease agreement qualifies as other than short-term lease under GASB 87 and, therefore, has been recorded at present value of the future minimum lease payments as of the date of its inception. For purposes of discounting future payments, the School determined an interest rate of 2.9% to be an appropriate discount rate.

As of June 30, 2022, the value of the lease liability recorded for the above lease was \$40,563. As a result, the School has recorded an Intangible Right-to-Use asset with a net book value of \$37,658 as of June 30, 2022. Future minimum lease payments under this lease are as follows:

Year Ended	Lease Payable		
June 30,	Principal	Interest	Totals
2023	\$ 17,049	\$ 951	\$ 18,000
2024	17,550	450	18,000
2025	5,964	36	6,000
	\$ 40,563	\$ 1,437	\$ 42,000

Note 8 - Public School Employees' Retirement System (PSERS)

A. Summary of Significant Accounting Policies

Pensions

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) and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Penn Hills Charter School of Entrepreneurship
Notes to Financial Statements
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B. General Information about the Pension Plan

1. 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.

2. Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age.

Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service.

For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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.

Penn Hills Charter School of Entrepreneurship
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3. Contributions

Member Contributions

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

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

Employer Contributions

The School's contractually required contribution rate for fiscal year ended June 30, 2022 was 34.14% 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 \$735,968 for the year ended June 30, 2022.

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

At June 30, 2022, the School reported a liability of \$7,226,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2022, the School's proportion was 0.0176%, which was a decrease of 0.0007% from its proportion measured as of June 30, 2021.

Penn Hills Charter School of Entrepreneurship
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For the year ended June 30, 2022, the School recognized pension expense of \$1,057,703. At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,000	\$ 95,000
Net difference between projected and actual investment earnings	-	850,000
Changes in assumptions	350,000	-
Changes in proportions	248,000	1,151,000
Difference between employer contributions and proportionate share of total contributions	7,785	-
Contributions subsequent to the measurement date	<u>735,968</u>	<u>-</u>
	<u>\$ 1,346,753</u>	<u>\$2,096,000</u>

\$735,968 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 Ended June 30,	
2023	\$ (365,368)
2024	(521,153)
2025	(224,479)
2026	<u>(374,215)</u>
	<u>\$ (1,485,215)</u>

1. Changes in Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2020
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.

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- 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 decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- 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, 2021 valuation were based on the results of an actuarial study that was performed for the five year period ending June 30, 2020.

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

The pension plan’s policy in regard to 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 of the benefits provided through the pension.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	27.0%	5.2%
Private equity	12.0%	7.3%
Fixed Income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real estate	10.0%	4.7%
Cash	3.0%	0.1%
Leverage	<u>-13.0%</u>	0.1%
	<u>100%</u>	

Penn Hills Charter School of Entrepreneurship
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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, 2021.

2. 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.

3. Sensitivity of School’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	(In Thousands)		
	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	6.00%	7.00%	8.00%
School's proportionate share of the net pension liability	\$ 9,484	\$ 7,226	\$ 5,321

4. Pension Plan Fiduciary Net Position

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

Note 9 - Other Post-Employment Benefits - PSERS

A. Summary of Significant Accounting Policies

Other Post-Employment 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’ 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.

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B. General Information about the Health Insurance Premium Assistance Program

1. 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, 2021, there were no assumed future benefit increases to participating eligible retirees.

2. Premium Assistance Eligibility Criteria

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

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

3. 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.

4. Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School's contractually required contribution rate for fiscal year ended June 30, 2022 was 0.80% 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 \$17,322 for the year ended June 30, 2022.

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Notes to Financial Statements
June 30, 2022

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

At June 30, 2022, the School reported a liability of \$415,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. 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, 2022, the School's proportion was 0.0175% which was a decrease of 0.0008% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the School recognized OPEB expense of \$42,081. At June 30, 2022, 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
Difference between expected and actual experience	\$ 4,000	\$ -
Net difference between projected and actual investment earnings	1,000	-
Changes in assumptions	44,000	6,000
Changes in proportions	78,000	52,000
Difference between employer contributions and proportionate share of total contributions	138	-
Contributions subsequent to the measurement date	<u>17,322</u>	<u>-</u>
	<u>\$ 144,460</u>	<u>\$ 58,000</u>

\$17,322 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 Ended June 30,	
2023	\$ 23,070
2024	22,992
2025	17,992
2026	5,084
2027	(3,000)
Thereafter	<u>3,000</u>
	<u>\$ 69,138</u>

Penn Hills Charter School of Entrepreneurship
Notes to Financial Statements
June 30, 2022

1. Actuarial Assumptions

The total OPEB liability as of June 30, 2021 was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.18%, 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, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

Penn Hills Charter School of Entrepreneurship
Notes to Financial Statements
June 30, 2022

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	79.8%	0.10%
US Core Fixed Income	17.5%	0.70%
Non-US Developed Fixed	<u>2.7%</u>	-0.30%
	<u>100%</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, 2021.

2. Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.18%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.18% which represents the S&P 20 year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2021, 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, 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2021, 611 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2021, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	(In Thousands)		
	1.00% Decrease	Current Trend Rate	1.00% Increase
System Net OPEB Liability	\$ 415	\$ 415	\$ 415

Penn Hills Charter School of Entrepreneurship
Notes to Financial Statements
June 30, 2022

4. Sensitivity of School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.18%) or 1 percentage point higher (3.18%) than the current rate:

	(In Thousands)		
	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	1.18%	2.18%	3.18%
School's proportionate share of the net OPEB liability	\$ 477	\$ 415	\$ 365

5. OPEB Plan Fiduciary Net Position

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

Note 10 - Risk Management

The Penn Hills Charter School of Entrepreneurship 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. These risks are covered by commercial insurance purchased from independent third parties.

The School also purchases commercial insurance for its employees' health and accident insurance coverage.

Settled claims for these risks have not exceeded insurance coverage for the past three years.

Note 11 – Construction Commitment

As of June 30, 2022, the School had construction commitments in the amount of approximately \$7,000,000 for various capital projects. It is anticipated these projects will be completed in the 2022/2023 fiscal year.

Note 12 -Prior Period Restatement

As a result of the implementation of GASB Statement No. 87 "Leases", the School made a prior period adjustment to record the value of the right-to-use asset, net of accumulated amortization, \$54,395 and the associated lease liability, (\$57,126) as of July 1, 2021. This prior period adjustment and its effect on net position at July 1, 2021 was a decrease in the governmental activities net position of \$2,731, restating the net position reported in the prior period financial statements of (\$3,985,541) to (\$3,988,272).

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

**Penn Hills Charter School of Entrepreneurship
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Earnings on Investments	\$ -	\$ -	\$ 836	\$ 836
Other Local Revenues				
Federal Revenues from IU	65,700	65,700	86,051	20,351
Contributions & Donations from Private Sources	-	-	40,914	40,914
Tuition from other LEAs	7,131,988	7,131,988	6,995,713	(136,275)
Refund of Prior Year's Expenditures	5,000	5,000	259,799	254,799
Miscellaneous Revenue	-	-	90,162	90,162
Total Revenues from Local Sources	7,202,688	7,202,688	7,473,475	270,787
State Sources				
Subsidies for Noneduc. Programs				
Ready to Learn Block Grant	23,733	23,733	22,536	(1,197)
Health Services	8,000	8,000	7,731	(269)
Other State Revenue	35,000	35,000	11,667	(23,333)
Total Revenues from State Sources	66,733	66,733	41,934	(24,799)
Federal Sources				
Restricted Grants-In-Aid from the Fed. Gov't. through the Commonwealth				
Title I	137,859	137,859	141,076	3,217
Title II	17,310	17,310	17,139	(171)
Title IV	10,000	10,000	10,000	-
Subsidies for Milk, Breakfast and Lunch Programs	324,269	324,269	-	(324,269)
Elementary and Secondary School Emergency Relief Fund (ESSER II)	324,972	324,972	251,396	(73,576)
Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	484,155	484,155	257,717	(226,438)
Elementary and Secondary School Emerg. Relief Fund (ARP ESSER 7%)	-	-	14,805	14,805
Total Revenues from Federal Sources	1,298,565	1,298,565	692,133	(606,432)
Total Revenues	8,567,986	8,567,986	8,207,542	(360,444)

**Penn Hills Charter School of Entrepreneurship
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	1,935,005	1,935,005	1,785,188	149,817
Employee Benefits	975,622	975,622	1,058,789	(83,167)
Purchased Prof. and Tech. Services	160,901	160,901	81,492	79,409
Other Purchased Services	34,680	34,680	43,469	(8,789)
Supplies	169,527	169,527	117,921	51,606
Property	100,000	100,000	58,561	41,439
Total Regular Programs	3,375,735	3,375,735	3,145,420	230,315
Special Programs				
Personal Services				
Salaries	286,369	286,369	283,114	3,255
Employee Benefits	153,586	153,586	174,383	(20,797)
Purchased Prof. and Tech. Services	53,178	53,178	162,986	(109,808)
Supplies	2,500	2,500	285	2,215
Total Special Programs	495,633	495,633	620,768	(125,135)
Total Instruction	3,871,368	3,871,368	3,766,188	105,180
Support Services				
Pupil Personnel				
Personal Services				
Salaries	121,605	121,605	119,406	2,199
Employee Benefits	76,004	76,004	53,585	22,419
Purchased Prof. and Tech. Services	60,000	60,000	348,953	(288,953)
Supplies	3,000	3,000	-	3,000
Total Pupil Personnel	260,609	260,609	521,944	(261,335)
Instructional Staff				
Personal Services				
Employee Benefits	-	-	6,000	(6,000)
Purchased Prof. and Tech. Services	-	-	22,139	(22,139)
Total Instructional Staff	-	-	28,139	(28,139)

**Penn Hills Charter School of Entrepreneurship
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Administration				
Personal Services				
Salaries	672,985	672,985	674,351	(1,366)
Employee Benefits	337,142	337,142	340,165	(3,023)
Purchased Prof. and Tech. Services	107,840	107,840	131,221	(23,381)
Other Purchased Services	123,585	123,585	312,403	(188,818)
Supplies	10,200	10,200	19,225	(9,025)
Property	55,000	55,000	45,287	9,713
Other Objects	13,328	13,328	29,566	(16,238)
Total Administration	1,320,080	1,320,080	1,552,218	(232,138)
Pupil Health				
Personal Services				
Salaries	53,079	53,079	49,955	3,124
Employee Benefits	40,122	40,122	59,880	(19,758)
Purchased Prof. and Tech. Services	2,000	2,000	3,743	(1,743)
Supplies	2,100	2,100	960	1,140
Total Pupil Health	97,301	97,301	114,538	(17,237)
Business				
Purchased Prof. and Tech. Services	8,670	8,670	15,972	(7,302)
Other Purchased Services	8,593	8,593	-	8,593
Other Objects	1,530	1,530	15,859	(14,329)
Total Business	18,793	18,793	31,831	(13,038)
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	144,596	144,596	105,368	39,228
Employee Benefits	34,936	34,936	27,913	7,023
Purchased Prof. and Tech. Services	-	-	32,848	(32,848)
Purchased Property Services	277,948	277,948	345,412	(67,464)
Other Purchased Services	25,933	25,933	64,633	(38,700)
Supplies	27,897	27,897	24,320	3,577
Property	-	-	7,933	(7,933)
Other Objects	-	-	1,507	(1,507)
Total Oper. and Maint. of Plant Svcs.	511,310	511,310	609,934	(98,624)

**Penn Hills Charter School of Entrepreneurship
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Student Transportation Services				
Other Purchased Services	10,200	10,200	81,124	(70,924)
Central				
Personal Services				
Employee Benefits	278,979	278,979	94,488	184,491
Total Support Services	2,497,272	2,497,272	3,034,216	(536,944)
Noninstructional Services				
Food Service				
Personal Services				
Salaries	163,561	163,561	-	163,561
Employee Benefits	102,947	102,947	-	102,947
Supplies	377,221	377,221	-	377,221
Property	5,000	5,000	-	5,000
Total Food Service	648,729	648,729	-	648,729
Student Activities				
Other Purchased Services	117,871	117,871	130,388	(12,517)
Supplies	-	-	34,223	(34,223)
Total Student Activities	117,871	117,871	164,611	(46,740)
Community Services				
Other Objects	-	-	38,650	(38,650)
Total Noninstructional Services	766,600	766,600	203,261	563,339
Facilities Acquisition, Construction and Improvement Services				
Property	550,000	550,000	1,064,847	(514,847)

**Penn Hills Charter School of Entrepreneurship
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Debt Service				
Interest	184,926	184,926	89,378	95,548
Redemption of Principal	72,940	72,940	57,558	15,382
	<u>257,866</u>	<u>257,866</u>	<u>146,936</u>	<u>110,930</u>
Total Debt Service				
	<u>257,866</u>	<u>257,866</u>	<u>146,936</u>	<u>110,930</u>
Total Expenditures	<u>7,943,106</u>	<u>7,943,106</u>	<u>8,215,448</u>	<u>(272,342)</u>
Other Financing Uses				
Fund Transfers				
Food Service Fund	-	-	84,329	(84,329)
	<u>-</u>	<u>-</u>	<u>84,329</u>	<u>(84,329)</u>
Total Expenditures and Other Financing Uses	<u>7,943,106</u>	<u>7,943,106</u>	<u>8,299,777</u>	<u>(356,671)</u>
Net Change in Fund Balance	624,880	624,880	(92,235)	(717,115)
Fund Balance - July 1, 2021	<u>740,501</u>	<u>740,501</u>	<u>1,628,041</u>	<u>887,540</u>
Fund Balance - June 30, 2022	<u>\$ 1,365,381</u>	<u>\$ 1,365,381</u>	<u>\$ 1,535,806</u>	<u>\$ 170,425</u>

Penn Hills Charter School of Entrepreneurship
Note to the Required Supplementary Information
Budget Comparison
June 30, 2022

Note 1 – Budgetary Information

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at year-end.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budget during the year).

**Penn Hills Charter School of Entrepreneurship
Required Supplementary Information
Schedule of School's Contributions
PSERS
Last Eight Years**

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$ 735,969	\$ 831,636	\$ 852,877	\$ 931,397	\$ 792,550	\$ 561,949	\$ 384,846	\$ 310,014
Contributions in Relation to the Contractually Required Contribution	<u>735,969</u>	<u>831,636</u>	<u>852,877</u>	<u>931,397</u>	<u>792,550</u>	<u>561,949</u>	<u>384,846</u>	<u>310,014</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$2,203,229	\$2,484,005	\$2,569,268	\$2,862,424	\$2,524,436	\$1,961,588	\$1,567,022	\$1,519,290
Contributions as a Percentage of Covered Payroll	33.40%	33.48%	33.20%	32.54%	31.40%	28.65%	24.56%	20.41%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

The covered-payroll amount reported for June 30, 2021 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2022.

**Penn Hills Charter School of Entrepreneurship
Required Supplementary Information
Schedule of School's Proportionate Share
of the Net Pension Liability
PSERS
Last Nine Years
(Dollar Amount in Thousands)**

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
School's Proportion of the Net Pension Liability (Asset)	0.0176%	0.0183%	0.0208%	0.0187%	0.0147%	0.0121%	0.0121%	0.0117%	0.0087%
School's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,226	\$ 9,011	\$ 9,731	\$ 8,977	\$ 7,260	\$ 5,996	\$ 5,241	\$ 4,931	\$ 3,562
School's Covered Payroll	\$ 2,486	\$ 2,569	\$ 2,862	\$ 2,524	\$ 1,962	\$ 1,567	\$ 1,519	\$ 1,488	\$ 1,118
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	290.67%	350.76%	340.01%	355.67%	370.03%	382.64%	345.03%	331.38%	318.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

**Penn Hills Charter School of Entrepreneurship
Required Supplementary Information
Schedule of School's Contributions
PSERS OPEB Plan
Last Five Years**

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Contractually Required Contribution	\$ 17,322	\$ 20,418	\$ 21,543	\$ 23,998	\$ 21,389
Contributions in Relation to the Contractually Required Contribution	<u>17,322</u>	<u>20,418</u>	<u>21,543</u>	<u>23,998</u>	<u>21,389</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$2,203,229	\$2,484,005	\$2,569,268	\$2,862,424	\$2,524,436
Contributions as a Percentage of Covered Payroll	0.79%	0.82%	0.84%	0.84%	0.85%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

The covered-payroll amount reported for June 30, 2021 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2022.

**Penn Hills Charter School of Entrepreneurship
Required Supplementary Information
Schedule of School's Proportionate Share
of the Net OPEB Liability
PSERS OPEB Plan
Last Five Years
(Dollar Amount in Thousands)**

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
School's Proportion of the Net OPEB Liability (Asset)	0.0175%	0.0183%	0.0208%	0.0187%	0.0147%
School's Proportionate Share of the Net OPEB Liability (Asset)	\$ 415	\$ 395	\$ 442	\$ 390	\$ 299
School's Covered Payroll	\$ 2,486	\$ 2,569	\$ 2,862	\$ 2,524	\$ 1,962
School's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	16.69%	15.38%	15.44%	15.45%	15.24%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.30%	5.69%	5.56%	5.56%	5.73%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

SINGLE AUDIT SECTION

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Members of the Board
Penn Hills Charter School of Entrepreneurship
Pittsburgh, Pennsylvania

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for Penn Hills Charter School of Entrepreneurship for the period ended June 30, 2022 were prepared to fulfill the requirements of the Government Auditing Standards and the Uniform Grant Guidance. A summary of the reports are as follows:

- A. 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*
- B. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- C. Schedule of Findings and Questioned Costs
- D. Schedule of Expenditures of Federal Awards
- E. List of Report Distribution

Respectfully submitted,

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
December 8, 2022

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EXHIBIT A

**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***

Members of the Board
Penn Hills Charter School of Entrepreneurship
Pittsburgh, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Penn Hills Charter School of Entrepreneurship as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Penn Hills Charter School of Entrepreneurship's basic financial statements, and have issued our report thereon dated December 8, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
December 8, 2022

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EXHIBIT B

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

Members of the Board
Penn Hills Charter School of Entrepreneurship
Pittsburgh, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Penn Hills Charter School of Entrepreneurship'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 each of Penn Hills Charter School of Entrepreneurship's major federal programs for the year ended June 30, 2022. Penn Hills Charter School of Entrepreneurship'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, Penn Hills Charter School of Entrepreneurship 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, 2022.

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 Penn Hills Charter School of Entrepreneurship 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 Penn Hills Charter School of Entrepreneurship'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 Penn Hills Charter School of Entrepreneurship'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 Penn Hills Charter School of Entrepreneurship'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 Penn Hills Charter School of Entrepreneurship'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 Penn Hills Charter School of Entrepreneurship'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 Penn Hills Charter School of Entrepreneurship'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 Penn Hills Charter School of Entrepreneurship'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.

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
December 8, 2022

**Penn Hills Charter School of Entrepreneurship
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2022**

EXHIBIT C

Financial Statements

Type of auditor's report was unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes ✓ no
- Significant deficiency(ies) identified? _____ yes ✓ none reported

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes ✓ no
- Significant deficiency(ies) identified? _____ yes ✓ none reported

Type of auditor's report issued on compliance for major programs was unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ yes ✓ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes ✓ no

**Penn Hills Charter School of Entrepreneurship
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

EXHIBIT C

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were noted.

Section IV – Status of Prior Year’s Findings

No prior year’s findings.

**Penn Hills Charter School of Entrepreneurship
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

EXHIBIT D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/21	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/22
U.S. Department of Education Passed through the Pennsylvania Department of Education										
Title I Improving Basic Programs	I	84.010	013-211102	08/31/20-09/30/21	\$ 134,287	\$ 37,864	\$ 37,864	\$ -	\$ -	\$ -
Title I Improving Basic Programs	I	84.010	013-221102	07/20/21-09/30/22	141,076	91,798	-	141,076	141,076	49,278
						<u>129,662</u>	<u>37,864</u>	<u>141,076</u>	<u>141,076</u>	<u>49,278</u>
Title II Improving Teacher Quality	I	84.367	020-201102	07/02/19-09/30/20	17,202	(108)	(108)	-	-	-
Title II Improving Teacher Quality	I	84.367	020-211102	08/31/20-09/30/21	17,687	3,818	3,818	-	-	-
Title II Improving Teacher Quality	I	84.367	020-221102	07/20/21-09/30/22	17,139	15,620	-	17,139	17,139	1,519
						<u>19,330</u>	<u>3,710</u>	<u>17,139</u>	<u>17,139</u>	<u>1,519</u>
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-211102	08/31/20-09/30/21	10,000	2,143	2,143	-	-	-
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-221102	07/20/21-09/30/22	10,000	9,333	-	10,000	10,000	667
						<u>11,476</u>	<u>2,143</u>	<u>10,000</u>	<u>10,000</u>	<u>667</u>
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	I	84.425D	200-211102	03/13/20-09/30/23	482,229	201,863	-	251,396	251,396	49,533
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	I	84.425U	223-211102	03/13/20-09/30/24	975,410	53,204	-	257,717	257,717	204,513
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP ESSER 7%)	I	84.425U	225-211102	03/13/20-09/30/24	75,810	11,027	-	14,805	14,805	3,778
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP HCY)	I	84.425W	181-212322	07/01/21-09/30/24	5,704	439	-	-	-	(439)
						<u>266,533</u>	<u>-</u>	<u>523,918</u>	<u>523,918</u>	<u>257,385</u>
Special Education Cluster COVID-19 SECIM	I	84.027	252-201102	10/08/20-09/30/22	1,000	667	667	-	-	-

**Penn Hills Charter School of Entrepreneurship
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

EXHIBIT D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/21	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/22
Passed through the Allegheny Intermediate Unit										
IDEA B	I	84.027	062-22-0003	07/01/21-09/30/22	85,784	-	-	85,784	85,784	85,784
IDEA B	I	84.027	062-21-0003	07/01/20-09/30/21	74,791	74,791	74,791	-	-	-
IDEA B Section 619	I	84.173	131-21-0003	07/01/21-06/30/22	267	267	-	267	267	-
Subtotal Special Education Cluster						<u>75,725</u>	<u>75,458</u>	<u>86,051</u>	<u>86,051</u>	<u>85,784</u>
Total U.S. Department of Education						<u>502,726</u>	<u>119,175</u>	<u>778,184</u>	<u>778,184</u>	<u>394,633</u>
U.S. Department of Agriculture										
Passed through the Pennsylvania Department of Education										
EBT Administrative Costs Grant	I	10.649	N/A	07/01/21-06/30/22	N/A	614	-	614	614	-
Child Care	I	10.558	N/A	07/01/21-06/30/22	N/A	2,645	-	3,150	3,150	505
						<u>3,259</u>	<u>-</u>	<u>3,764</u>	<u>3,764</u>	<u>505</u>
Fresh Fruit and Vegetable Program						22,531	-	22,531	22,531	-
National School Lunch Program						280,577	-	289,958	289,958	9,381
National School Breakfast Program						100,538	-	104,524	104,524	3,986
Total Child Nutrition Cluster						<u>403,646</u>	<u>-</u>	<u>417,013</u>	<u>417,013</u>	<u>13,367</u>
Total U.S. Department of Agriculture						<u>406,905</u>	<u>-</u>	<u>420,777</u>	<u>420,777</u>	<u>13,872</u>
Total Federal Financial Assistance						<u>\$ 909,631</u>	<u>\$ 119,175</u>	<u>\$ 1,198,961</u>	<u>\$ 1,198,961</u>	<u>\$ 408,505</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Penn Hills Charter School of Entrepreneurship
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

EXHIBIT D

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Penn Hills Charter School of Entrepreneurship under programs of the federal government for the year ended June 30, 2022. 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 Penn Hills Charter School of Entrepreneurship, it is not intended to and does not present the financial position, changes in net position, or cash flows of Penn Hills Charter School of Entrepreneurship.

Note B - Summary of Significant Accounting Policies

- (1) 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.
- (2) Penn Hills Charter School of Entrepreneurship has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C - Source Code

The Source Code (I) indicates funds received indirectly.

Note D - Reconciliation with Subsidy Confirmation

Amounts Received Per Schedule	\$ 909,631
Less: Passage Through AIU	(75,058)
Add: State Funding on Confirmation	<u>22,636</u>
Per Subsidy Confirmation	<u><u>\$ 857,209</u></u>

Note E - Subrecipients

The School did not pass through any federal expenditures to subrecipients.

**Penn Hills Charter School of Entrepreneurship
List of Report Distribution
June 30, 2022**

EXHIBIT E

1 Copy – Bureau of Audits

1 Copy – Bureau of the Census