

21st Century Cyber CS

Charter Annual Report

07/01/2013 - 06/30/2014

School Profile

Demographics

126 Wallace Ave.
Downingtown, PA 19335
(484)875-5400

Phase:	Phase 2
CEO Name:	William Ferrara
CEO E-mail address:	wferrara@21cccs.org

Governance and Staff

Leadership Changes

Leadership changes during the past year on the Board of Trustees and in the school administration:

Lisa Andrejko retired from the Quakertown Area School District. Robert Copeland from Neshaminy SD filled the Bucks County Superintendent Seat.

George Steinhoff from Penn-Delco SD resigned his Delaware County superintendent seat on the board and it was fill by William Keilbaugh from the SD of Haverford township.

Clifford Rogers from Perkiomen Valley SD resigned from his Montgomery County Superintendent Seat and Frank Gallagher from Souderton Area SD filled the open seat for one meeting and resigned, leaving one open Montgomery County Seat.

John Medvick filled the open Parent Seat for one meeting but resigned, leaving that seat open. Deborah Fingerlow's daughter graduated in June leaving a second Parent seat open.

On June 30, 2014 Jon Marsh, CEO/Director, went out on Administrative Leave. The Board of Directors named Bill Ferrara the Acting CEO/Director during this leave.

Board of Trustees Meeting Schedule

Location	Date and Time
PaTTAN 200 Anderson Road, King of Prussia, PA 19406	9/10/2013 1:00 PM
PaTTAN 200 Anderson Road, King of Prussia, PA 19406	11/12/2013 1:00 PM
PaTTAN 200 Anderson Road, King of Prussia, PA 19406	12/10/2013 1:00 PM
PaTTAN 200 Anderson Road, King of Prussia, PA 19406	1/14/2014 1:00 PM
PaTTAN 200 Anderson Road, King of Prussia, PA 19406	3/11/2014 1:00 PM
PaTTAN 200 Anderson Road, King of Prussia, PA 19406	5/13/2014 1:00 PM
21CCCS 126 Wallace Ave, Downingtown, PA 19335	9/9/2014 1:00 PM
PaTTAN 200 Anderson Road, King of Prussia, PA 19406	11/11/2014 1:00 PM
21CCCS 126 Wallace Ave, Downingtown, PA 19335	1/13/2015 1:00 PM
PaTTAN 200 Anderson Road, King of Prussia, PA 19406	3/10/2015 1:00 PM
21CCCS 126 Wallace Ave, Downingtown, PA 19335	5/12/2015 1:00 PM

Professional Staff Member Roster

There are no professional staff members.

The professional staff member roster as recorded originally on the PDE-414 form

XLSX file uploaded.

Quality of Teaching and Other Staff

Position Categories	All Employed per Category	Appropriately Certified	Promoted	Transferred	Terminated	Contracted for Following Year
Chief Academic Officer/Director	1.00	1.00				1.00
Principal	2.00	2.00				2.00
Assistant Principal						
Classroom Teacher (including Master Teachers)	39.00	39.00			6.00	33.00
Specialty Teacher (including Master Teachers)						
Special Education Teacher (including Master Teachers)	6.00	6.00			1.00	5.00
Special Education Coordinator						
Counselor	2.00	2.00				2.00
Psychologist						
School Nurse	1.00	0.00				1.00
Supervisor of Special Education	1	1				1
Totals	52.00	51.00	0	0	7.00	45.00

Further explanation:

This narrative is empty.

Fiscal Matters

Major Fundraising Activities

Major fundraising activities performed this year and planned for next year:

There were no major fund-raising activities during the 2013-14 school year and there are none planned for the 2014-15 school year.

Fiscal Solvency Policies

Changes to policies and procedures to ensure and monitor fiscal solvency:

In order to maintain steady cash flows, 21CCCS bills school districts on a monthly basis. Subsidy deductions, as allowed by PDE, are requested multiple times throughout the school year. Parents are billed timely for any unreturned computer equipment and books.

21CCCS maintains checking and money market accounts at DNB First. Cash transfers are done monthly from the 21CCCS to reimburse the CCIU for Accounts Receivable, Accounts Payable, Payroll, Purchasing and Human Resource services provided to the 21CCCS.

As part of the purchasing procedures put in place by the 21CCCS Board, purchases over \$4,000 require additional pre-approval by a CCIU Division Director, and those in excess of \$10,000 and any long-term lease commitments are voted on by the Board of Trustees. All purchases are presented in an Expenditure Report to the Board for approval at each meeting.

Herbein + Company, Inc., independent auditors, have recommended that 21CCCS set aside in its fund balance in an amount equal to 3 months of expenditures (approximately \$1,500,000). 21CCCS has designated \$1,400,000 for this purpose under a program stabilization classification as of June 30, 2013. 21CCCS intends to comply with the recommendation over time and expects to add to this balance once the June 30, 2014 reporting has been finalized and the fund balances have been updated. In accordance with GASB Statements No. 54 Fund Balance Reporting and Governmental Fund Type Definitions, the following fund balance classifications for June 30, 2014 were approved at the May 13, 2014 Board meeting: Future Building Fund, Future Capital Equipment/Software/Furniture, Future Curriculum Development, Minimum Lease Obligations, New Initiatives, Future Program Stabilization, take out Partnership Initiatives Fund and PSERS Retirement Rate Increases.

Fiscal Solvency Policies

Charter School documents that describe policies and procedures that have been established to ensure and monitor fiscal solvency (optional if described in the narrative)

Files uploaded:

- 21CCCS Business Office Procedures .pdf

Accounting System

Changes to the accounting system the charter school uses:

No changes have been made to the accounting system. The Chester County Intermediate Unit provides financial services to the 21CCCS, utilizing MSGovern's Gemstone software in conjunction with the Chart of Accounts mandated by the PA LECS Comptroller's Office for budgeting, accounting, and financial reporting. All financial reporting conforms to Generally Accepted Accounting Principles (GAAP) as stated in the Independent Auditor's Report dated December 17, 2013 presented by Herbein & Company Inc.

Preliminary Statements of Revenues, Expenditures & Fund Balances

The completed and CEO signed Fiscal Template – Preliminary Statements of Revenues, Expenditures & Fund Balances

PDF file uploaded.

Financial Audits

Basics

Audit Firm:	Herbein + Company, INC
Date of Last Audit:	06/30/2013
Fiscal Year Last Audited:	2012-2013

Explanation of the Report

Detailed explanation of the report (if the previous year's report has been submitted.) Any audit report for a school year that precedes this annual report by more than 2 years is not acceptable and may be considered a material violation:

Audited financial statements for the year-ended June 30,2014 are currently not available. Herbein + Company, Inc. is expected to begin fieldwork on the 2013-14 financial statements in October 2013. A completion date for the audit cannot be provided at this time.

Financial Audit Report

The Financial Audit Report, which should include the auditor's opinion and any findings resulting from the audit

PDF file uploaded.

Citations

Financial audit citations and the corresponding Charter School responses

Description	Response
-------------	----------

Federal Programs Consolidated Review**Basics**

Title I Status: No
 Date of Last Federal
 Programs Consolidated
 Review:
 School Year Reviewed:

Federal Programs Consolidated Review Report

The Federal Programs Consolidated Review Report, which should include the Division's opinion and any findings resulting from the audit

No file has been uploaded.

Citations

Federal Programs Consolidated Review citations and the corresponding Charter School responses

Description	Response
-------------	----------

Special Education

Chapter 711 Assurances

The LEA agrees to comply with all requirements of Special Education outlined in 22 PA Code Chapter 711 and other state and federal mandates. These include:

Implementation of a full range of services, programs and alternative placements available to the Charter School for placement and implementation of the special education programs in the Charter School.

Implementation of a child find system to locate, identify and evaluate young children and children who are thought to be a child with a disability eligible for special education residing within the Charter School's jurisdiction. Child find data is collected, maintained and used in decision-making. Child find process and procedures are evaluated for their effectiveness. The Charter School implements mechanisms to disseminate child find information to the public, organizations, agencies and individuals on at least an annual basis.

Assurances of students with disabilities are included in general education programs and extracurricular and non-academic programs and activities to the maximum extent appropriate in accordance with an Individualized Education Program.

Following the state and federal guidelines for participation of students with disabilities in state and Charter School-wide assessments including the determination of participation, the need for accommodations and the methods of assessing students for whom regular assessment is not appropriate.

Assurance of funds received through participation in the medical assistance reimbursement program, ACCESS, will be used to enhance or expand the current level of services and programs provided to students with disabilities in this local education agency.

Special Education Support Services

Support Service	Location	Teacher FTE
Supervisor of Special Education	21st Century Cyber Charter School	1

Special Education Contracted Services

Title	Amt. of Time per Week	Operator	Number of Students
Occupational Therapy	2.3 Hours	Outside Contractor	10 or fewer
Psychological Counseling	1 Hours	Outside Contractor	10 or fewer
Speech and Language	6.2 Hours	Outside Contractor	10 or fewer

Special Education Cyclical Monitoring

Date of Last Special Education Cyclical Monitoring:

02/11/2011

Link to Report (Optional):

Not Provided

Special Education Cyclical Monitoring Report

The Special Education Cyclical Monitoring Report, which should include the Bureau's findings

PDF file uploaded.

Facilities

Fixed assets acquired by the Charter School during the past fiscal year

Fixed assets acquired by the Charter School during the past fiscal year:

item	Asset_Value
Asset_Purchase_Date	
Apple Server Mac Pro 2.4 serial # SC07L7016F4MJ 08/15/2013	4136.14
Computer MacBook Pro 15" serial #SC02L7387F1G3 08/15/2013	1604.41
Computer MacBook Pro 15" serial #SC02L7389F1G3 08/15/2013	1604.41
Computer MacBook Pro 15" serial #SC02L738KF1G3 08/15/2013	1604.41
Computer MacBook Pro 15" serial #SC02L7388F1G3 08/15/2013	1604.41
Computer MacBook Pro 13" ret serial #SC02LV0WUHF04 12/04/2013	1669.00
Computer MacBook Pro 13" ret serial #SC02LV0WVVFH04 12/04/2013	1669.00
Computer MacBook Pro 13" ret serial #SC02LV0WTFH04 12/04/2013	1669.00
Computer MacBook Pro 13" ret serial #SC02LV0WXFH04 12/04/2013	1669.00
Computer MacBook Pro 13" ret serial #SC02LV0WYFH04 12/04/2013	1669.00
Computer MacBook Pro 15" ret serial #SC02LV1EXFD58 12/04/2013	1989.00
Computer MacBook Pro 15" ret serial #SC02LV1EYFD58 12/04/2013	1989.00
Computer MacBook Pro 15" ret serial #SC02LV1F0FD58 12/04/2013	1989.00
Computer MacBook Pro 15" ret serial #SC02LV1F2FD58 12/04/2013	1989.00
Computer MacBook Pro 15" ret serial #SC02LV1EZFD58 12/04/2013	1989.00
Computer iMac 27"-Intel serial #SD25M10S1F8JC 01/01/2014	2463.00
Cisco Firewall ASA 5525-X serial # SFTX181510AY 04/11/2014	5565.10
Cisco Firewall ASA 5525-X serial # SFTX181510B3 04/11/2014	5565.10
Computer Mac Pro serial #SF5KMV14CF9VM 06/19/2014	2799.00

Computer Mac Pro serial #SF5KMOV0YCF694 06/19/2014	3969.00
Computer Mac Pro serial #SF5KMV178F9VM 06/19/2014	2709.00
Computer MacBook Pro 15" ret serial #SC02MV1CDFD58 06/19/2014	1989.00
Computer MacBook Pro 15" ret serial #SC02MV1CEFD58 06/19/2014	1989.00
Computer MacBook Pro 15" ret serial #SC02MV1CLFD58 06/19/2014	1989.00
Computer MacBook Pro 15" ret serial #SC02MV1CAFD58 06/19/2014	1989.00
Computer MacBook Pro 15" ret serial #SC02MV1CFFD58 06/19/2014	1989.00
Computer MacBook Pro 15" ret serial #SC02MV1CHFD58 06/19/2014	1989.00
Computer MacBook Pro 15" ret serial #SC02MV1CJFD58 06/19/2014	1989.00
Computer MacBook Pro 15" ret serial #SC02MV1CKFD58 06/19/2014	1989.00
Computer MacBook Pro 15" ret serial #SC02MV1CBFD58 06/19/2014	1989.00
Computer MacBook Pro 15" ret serial #SC02MV1CGFD58 06/19/2014	1989.00
Computer MacBook Pro 15" ret serial #SC02MV10VFD58 06/19/2014	1989.00
Computer MacBook Pro 15" ret serial #SCO2MV19HFD58 06/19/2014	1989.00
Building 126 Wallace Ave 10/31/14	1,420,600.00

The total Charter School expenditures for fixed assets during the identified fiscal year:

\$1,496,382.00

Facility Plans and Other Capital Needs

The Charter School’s plan for future facility development and the rationale for the various components of the plan:

There are no plans for further facility development at this time.

Memorandums of Understanding

Organization	Purpose
West Whiteland Police Department	Establish procedures for incidents that occur on school property and to foster a relationship of cooperation and support to maintain the safety and security of the school.



Executive Summary BSE Compliance Monitoring Review of the 21st Century Cyber CS

PART I SUMMARY OF FINDINGS

A. Review Process

Prior to the Bureau's monitoring the week of January 4, 2011, the 21st Century Cyber CS was formally notified of the dates the onsite review would be conducted. Notice and invitation to comment was also provided to the Local Task Force on Right-to-Education. The charter school was informed of its responsibility to compile various reports, written policies, and procedures to document compliance with requirements.

While onsite, the monitoring team employed a variety of techniques to gain an in depth understanding of the charter school's program operations. This included:

- Interviews of charter school administrative and instructional personnel
- Review of policies, notices, plans, outcome and performance data, special education forms and formats, and data reports used and compiled by the charter school (Facilitated Self-Assessment)
- Comprehensive case studies (including classroom observations, interviews of parents, students, and general and special education teachers, and student file reviews).

B. General Findings

In reaching compliance determinations, the Bureau of Special Education (BSE) monitoring teams apply criteria contained in federal and state special education regulations. Specifically, these are:

- Individuals with Disabilities Education Improvement Act of 2004
- 22 Pa. Code Chapter 711
- 34 CFR Part 300

This report focuses on compliance with regulatory requirements and also contains descriptive information (such as interview and survey results) intended to provide feedback to assist in program planning.

C. Overall Findings

1. FACILITATED SELF ASSESSMENT (FSA)

The team reviewed the FSA submitted by the charter school and conducted onsite verification activities of the information submitted in the FSA. The onsite verification activities included review of policies, notices, procedures, and file reviews.

FSA	In Compliance	Out of Compliance
Assistive Technology and Services; Hearing Aids	2	0
Positive Behavior Support Policy	1	0
Child Find (Annual Public Notice and General Dissemination Materials)	1	0
Confidentiality	1	0
Dispute Resolution (Due process hearing decision implementation)	0	0
Exclusions: Suspensions and Expulsions (Procedural Requirements)	0	0
Independent Education Evaluation	1	0
Least Restrictive Environment (LRE)	1	0
Provision of Extended School Year Services	1	0
Provision of Related Service Including Psychological Counseling	1	0
Parent Training	0	1
Public School Enrollment	1	0
Surrogate Parents (Students Requiring)	1	0
Personnel Training	1	0
Intensive Interagency Approach	1	0
Summary of Academic Achievement and Functional Performance/Procedural Safeguard Requirements for Graduation	1	0
Disproportionate Representation that is the Result of Inappropriate Identification	1	0

IMPROVEMENT PLAN REQUIRED	Yes	No
Effective use of Dispute Resolution	0	0
Graduation Rates (SPP)	0	1
Dropout Rates (SPP)	0	1
Suspensions (Rates)	0	0
Least Restrictive Environment (LRE) (SPP)	0	1
Participation in PSSA and PASA (SPP)	0	1
Participation in Charter-Wide Assessment	0	1
Public School Enrollment	1	0
Disproportionate Representation due to Identification, Educational Environment, Suspension or Expulsion	0	1

2. FILE REVIEW (Student case studies)

The education records of randomly selected students participating in special education programs were studied to determine whether the charter school complied with essential requirements.

The status of compliance of the 21st Century Cyber CS is as follows:

Sections of the FILE REVIEW	In Compliance	Out of Compliance	NA
Essential Student Documents Are Present and Were Prepared Within Timelines	78	3	79
Evaluation/Reevaluation: Process and Content	209	1	570
Individualized Education Program: Process and Content	497	19	284
Procedural Safeguards: Process and Content	103	12	5
TOTALS	887	35	938

3. TEACHER AND PARENT INTERVIEWS

Interviews were conducted with parents and teachers of students selected by the BSE for the sample group. The goal is to determine if the charter school involves parents and professionals in required processes (e.g., evaluation, IEP development), whether programs and services are being provided, and whether the charter school provides training to enhance knowledge. Parent and teacher satisfaction with the special education program is also generally assessed.

	# Yes Responses	# No Responses	# of Other Responses
Program Implementation: General Ed Teacher Interviews	265	5	70
Program Implementation: Special Ed Teacher Interviews	316	22	122
Program Implementation: Parent Interviews	226	1	124
TOTALS	807	28	316

4. STUDENT INTERVIEWS

Results of the student interviews are reflected on the Charter School Corrective Action Verification/Compliance and Improvement Planning document.

5. CLASSROOM OBSERVATIONS

Observations are conducted in classrooms of students selected by the BSE for the sample group.

	# Yes Responses	# No Responses	# of Other Responses
Classroom Observations	0	0	0

6. EDUCATIONAL BENEFIT REVIEW

	In Compliance	Out of Compliance
Educational Benefit Review	X	

PART II CORRECTIVE ACTION PROCESS

PART I of this report presented an overall summary of findings. In the Appendix to the report, we have provided the detailed findings for each of the criteria of the compliance monitoring document, i.e. FSA, File Reviews, Interviews and Classroom Observations. The detailed report of findings includes:

- Criteria Number
- Statements of all requirements
- Whether each requirement was met, not met, not applicable or other
- Statements of corrective action required for those criteria not met. ***Criteria not met that require corrective action by the charter school are gray-shaded.***

Charter schools are advised that in accordance with requirements of the Individuals with Disabilities Education Act, all noncompliance must be corrected as soon as possible but in no case later than one year from the date of the monitoring report. The BSE is required to verify timely correction of noncompliance, and must report annually to the federal government and the public on this requirement.

Upon receipt of this report, the charter school should review the corrective action and improvement planning required. The report is formatted so that findings from all components of the monitoring are consolidated by topical area. The report lists the finding, and whether corrective action is required. For certain types of findings, corrective action will be prescribed, and will not vary from charter school to charter school. For example, if the finding is that the charter school lacks a specific required policy, it is reasonable to have the BSE prescribe a standardized remedy and timeline for correcting this deficiency. However, the majority of corrective action activities will be individually designed by the charter school based on their own unique circumstances and goals. Consistent with IDEA's general supervision requirements for states, BSE must approve all proposed corrective action.

With respect to the File Review, because students were selected at random, findings are generalized to the entire population of students with disabilities. During the corrective action review, the BSE Advisor will select students at random and will review updated data, i.e. records that were developed subsequent to the monitoring. Consequently, the charter school should approach corrective action on a systemic basis. As indicated above, the charter school is also required to correct student specific noncompliance identified during monitoring under the ICAP process. If there has been a finding of noncompliance in the Educational Benefit Review component, the individual students are identified to the charter school and, because of the significance of the provision of a free appropriate public education (FAPE) to these students; the charter school must take immediate corrective action.

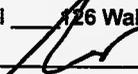
The BSE Adviser will schedule an onsite visit with the charter school within 60 days following issuance of the monitoring report. The BSE Adviser, charter school, and PaTTAN staff will develop a Charter School Corrective Action Verification/Compliance and Improvement Plan. PaTTAN and IU staff is available to assist the charter school.

Upon conclusion of the corrective action process, the charter school will be notified of its successful completion of the monitoring process.

Preliminary Statement of Revenues, Expenditures & Fund Balances
 Include ALL Funds
 as of June 30, 2013

Name of School 21st Century Cyber Charter School

Address of School 126 Wallace Avenue, Downingtown, PA 19335

CEO Signature 

REVENUES

6000		REVENUE FROM LOCAL SOURCES	
6500		EARNINGS ON INVESTMENTS	
	6510	Interest on Investments and Interest-Bearing Checking Accounts	-9061.56
	6520	Dividends on Investments	
	6530	Gains or Losses on Sale of Investments	
	6540	Earnings on Investments in Real Property	
	6590	Other Earnings or Investments	
6600		FOOD SERVICE REVENUE	
	6610	Daily Sales - Reimbursable Programs	
	6620	Daily Sales - Non-Reimbursable Programs	
	6630	Special Functions	
	6640	Non-Cash Contributions	
	6650	Price Reduction for Reduced Price and Free Meals (Debit)	
	6690	Other Food Service Revenues	
6700		REVENUES FROM STUDENT ACTIVITIES	
	6710	Admissions	
	6720	Bookstore Sales	
	6730	Student Organization Membership Dues and Fees	
	6740	Fees	
	6750	Student Activity - Special Events	
	6790	Other Student Activity Income	
6800		REVENUES FROM INTERMEDIARY SOURCES / PASS THROUGH	
	6810	Revenue from Local Governmental Units	
	6820	Revenue from Intermediary Sources - Commonwealth Funds	
	6830	Revenues from Intermediary Sources - Federal Funds	-70763
	6890	Other Revenues from Intermediary Sources	
6900		OTHER REVENUE FROM LOCAL SOURCES	
	6910	Rentals	
	6920	Contributions & Donations from Private Sources / Capital Contributions	
	6930	Gains or Losses on Sale of Fixed Assets (Economic Resource Measurement Focus Only)	
	6940	Tuition from Patrons	
	6941	Regular Day School Tuition	
	6942	Summer School Tuition	-32116
	6943	Adult Education Tuition	
	6944	Receipts From Other LEAs in Pennsylvania - Education	-8484098.65
	6945	Receipts from Out-of-State LEAs	
	6946	Receipts from Member Districts - AV/TS / Special Program Jointure only	
	6947	Receipts from Members of Intermediate Units for Education by	
	6948	Receipts from Members of Intermediate Units for Direct Contributions	
	6949	Other Tuition from Patrons	
	6950	Unassigned	
	6960	Services Provide Other Local Governmental Units / LEAs	
	6961	Transportation Services Provided Other Pennsylvania LEAs	
	6969	All Other Services Provided Other Governments and LEAs Not Specified Above	
	6970	Services Provided Other Funds	
	6980	Revenue from Community Service Activities	-8990.71
	6990	Refunds and Other Miscellaneous Revenue	-62782.42
	6991	Refunds of a Prior Year Expenditure	
	6999	Other Revenues Not Specified Above	

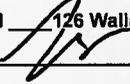
7000		REVENUE FROM STATE SOURCES	
7100		BASIC INSTRUCTIONAL AND OPERATING SUBSIDIES	
	7150	Unassigned	
	7160	Tuition for Orphans and Children Placed in Private Homes	
	7180	Staff and Program Development	
7200		REVENUE FOR SPECIFIC EDUCATIONAL PROGRAMS	
	7210	Homebound Instruction	
	7220	Vocational Education	
	7230	Alternative Education	
	7240	Driver Education - Student	
	7250	Migratory Children	
	7260	Workforce Investment Act (WIA)	
	7270	Specialized Education of Exceptional Pupils	
	7280	Adult Literacy	
	7290	Additional Educational Program Revenues	
7300		REVENUES FOR NON-EDUCATIONAL PROGRAMS	
	7310	Transportation (Regular and Additional)	
	7320	Rental and Sinking Fund Payments / Building Reimbursement Subsidy	
	7330	Health Services (Medical, Dental, Nurse, Act 25)	-11569.13
	7340	Unassigned	
	7350	Sewage Treatment Operations / Environmental Subsidies	
	7360	Safe Schools	
7400		VOCATIONAL TRAINING OF THE UNEMPLOYED	
7500		STATE REVENUE NOT LISTED ELSEWHERE IN THE 7000 SERIES OF ACCOUNTS	
	7502	Dual Enrollment Grants	
	7503	Project 720/High School Reform	
	7599	Other State Revenue Not Listed Elsewhere in the 7000 Series	
7600		REVENUE FOR MILK, LUNCH AND BREAKFAST PROGRAMS	
7800		REVENUE FOR THE COMMONWEALTH'S SHARE OF PAID	
	7810	State Share of Social Security and Medicare Taxes	
	7820	State Share of Retirement Contributions	-221248.86
7900		REVENUE FOR TECHNOLOGY	
	7910	Educational Technology	
	7990	Other Technology Grants	
8000		REVENUE FROM FEDERAL SOURCES	
8100		UNRESTRICTED GRANTS-IN-AID DIRECT FROM THE FEDERAL GOVERNMENT	
	8110	Payments for Federally Impacted Areas - P.L. 81-874	
	8190	Other Unrestricted Federal Grants-in-Aid Direct from the Federal Government	
8200		UNRESTRICTED GRANTS-IN-AID FROM THE FEDERAL GOVERNMENT THROUGH THE COMMONWEALTH	
8300		RESTRICTED GRANTS-IN-AID DIRECTLY FROM THE FEDERAL GOVERNMENT	
	8310	Payments for Federally Impacted Areas - P.L. 81-815	
	8320	Energy Conservation Grants - TA and ECM	
	8390	Other Restricted Federal Grants-in-Aid Directly from the Federal Government	
8500		RESTRICTED GRANTS-IN-AID FROM THE FEDERAL GOVERNMENT THROUGH THE COMMONWEALTH FOR THE INDIVIDUALS WITH DISABILITIES EDUCATION ACT (IDEA), NO CHILD LEFT BEHIND (NCLB), VOCATIONAL EDUCATION, CHILD NUTRITION AND CAREER EDUCATION PROGRAMS	

	8510	Individuals with Disabilities Education Act (IDEA) and No Child Left Behind (NCLB)	
	8520	Vocational Education	
	8530	Child Nutrition Program	
	8540	Nutrition Education and Training	
	8560	Federal Block Grants	
	8570	Unassigned	
	8580	Child Care and Development Block Grants	
	8590	Unassigned	
8600		RESTRICTED GRANTS-IN-AID FROM THE FEDERAL GOVERNMENT THROUGH THE COMMONWEALTH FOR DRIVER EDUCATION, ADULT EDUCATION, CETA, HEADSTART, ENERGY CONSERVATION,	
	8610	Homeless Assistance Act	
	8620	Adult Basic Education	
	8640	Headstart	
	8650	Unassigned	
	8660	Workforce Investment Act (WIA)	
	8670	Unassigned	
	8680	Unassigned	
	8690	Other Restricted Federal Grants-in-Aid through the Commonwealth	
8800		MEDICAL ASSISTANCE REIMBURSEMENTS	
9000		OTHER FINANCING SOURCES	
9100		SALE OF BONDS	
	9110	Bond Issue Proceeds (Gross)	
	9120	Proceeds from Refunding of Bonds	
9200		PROCEEDS FROM EXTENDED TERM FINANCING	
9300		INTERFUND TRANSFERS	
	9310	General Fund Transfers	
	9320	Special Revenue Fund Transfers	
	9330	Capital Projects Funds Transfers	
	9340	Debt Service Fund Transfers	
	9350	Enterprise Fund Transfers	
	9360	Internal Service Fund Transfers	
	9370	Trust and Agency Fund	
	9380	Activity Fund Transfers	
	9390	Permanent Fund Transfers	
9400		SALE OF OR COMPENSATION FOR LOSS OF FIXED ASSETS	
9500		Unassigned	
9600		Unassigned	
9700		TRANSFERS INVOLVING COMPONENT UNITS AND PRIMARY GOVERNMENTS	
	9710	Transfers from Component Units	
	9720	Transfers from Primary Governments	
9800		INTRAFUND TRANSFERS IN	
	9810	General Fund Intrafund Transfers	
	9820	Special Revenue Intrafund Transfers	
	9840	Debt Service Intrafund Transfers	
	9850	Enterprise Intrafund Transfers	
	9860	Internal Service Intrafund Transfers	
	9870	Trust and Agency Intrafund Transfers	
	9880	Activity Interfund Transfers	
TOTAL REVENUES			-8900630.33

**Preliminary Statement of Revenues, Expenditures & Fund Balances
Include ALL Funds
as of June 30, 2013**

Name of School 21st Century Cyber Charter School

Address of School 126 Wallace Ave Downingtown, PA 19335

CEO Signature  _____

Note-Expenditures may be submitted EITHER as accrual or cash basis

EXPENDITURES

1000	INSTRUCTION	
1100	REGULAR PROGRAMS - ELEMENTARY / SECONDARY	4591250.9
1200	SPECIAL PROGRAMS - ELEMENTARY / SECONDARY	684950.9
1300	VOCATIONAL EDUCATION	
1400	OTHER INSTRUCTIONAL PROGRAMS - ELEMENTARY / SECONDARY	25063.21
1600	ADULT EDUCATION PROGRAMS	
1700	HIGHER EDUCATION PROGRAMS	
1800	PRE-KINDERGARTEN	
2000	SUPPORT SERVICES	
2100	SUPPORT SERVICES - PUPIL PERSONNEL	
2110	Supervision of Pupil Personnel Services	175541.12
2120	Guidance Services	185129.93
2130	Attendance Services	
2140	Psychological Services	
2150	Speech Pathology and Audiology Services	
2160	Social Work Services	
2170	Student Accounting Services	
2190	Other Pupil Personnel Services	
2200	SUPPORT SERVICES - INSTRUCTIONAL STAFF	
2210	Supervision of Educational Media Services	
2220	Technology Support Services	238135.46
2230	Educational Television Services	
2240	Computer-Assisted Instruction Support Services	
2250	School Library Services	
2260	Instruction and Curriculum Development Services	412749.43
2270	Instructional Staff Professional Development Services	
2280	Nonpublic Support Services	
2300	SUPPORT SERVICES - ADMINISTRATION	
2310	Board Services	38841.79
2320	Board Treasurer Services	
2340	Staff Relations and Negotiations Services	
2350	Legal Services	36872.22
2360	Office of the Superintendent (Executive Director) Services	275111.17
2370	Community Relations Services	310304.35
2380	Office of the Principal Services	177783.03
2390	Other Administration Services	531539.63
2400	SUPPORT SERVICES - PUPIL HEALTH	34682.7
2500	SUPPORT SERVICES - BUSINESS	
2510	Fiscal Services	137206.1
2520	Purchasing Services	
2530	Warehousing and Distributing Services	
2540	Printing, Publishing and Duplicating Services	
2590	Other Support Services - Business	
2600	OPERATION AND MAINTENANCE OF PLANT SERVICES	429781
2610	Supervision of Operation and Maintenance of Plant Services	
2620	Operation of Buildings Services	
2630	Care and Upkeep of Grounds Services	
2640	Care and Upkeep of Equipment Services	
2650	Vehicle Operations and Maintenance Services (Other than Student Transportation Vehicles)	
2660	Security Services	

	2690	Other Operation and Maintenance of Plant Services	
	2700	STUDENT TRANSPORTATION SERVICES	
	2710	Supervision of Student Transportation Services	
	2720	Vehicle Operation Services	
	2730	Monitoring Services	
	2740	Vehicle Servicing and Maintenance Services	
	2750	Nonpublic Transportation	
	2790	Other Student Transportation Services	
	2800	SUPPORT SERVICES - CENTRAL	
	2810	Planning, Research, Development and Evaluation Services	
	2820	Information Services	
	2830	Staff Services	5760.83
	2840	Data Processing Services	
	2850	State and Federal Agency Liaison Services	
	2860	Management Services	
	2890	Other Support Services Central	
	2900	OTHER SUPPORT SERVICES - CENTRAL	
	2990	Pass-Thru Funds	
	3000	OPERATION OF NON-INSTRUCTIONAL SERVICES	
	3100	FOOD SERVICES	
	3200	STUDENT ACTIVITIES	
	3210	School Sponsored Student Activities	
	3250	School Sponsored Athletics	
	3300	COMMUNITY SERVICES	
	3310	Community Recreation	
	3320	Civic Services	
	3330	Public Library Services	
	3340	Custody and Child Care	
	3350	Welfare Activities	
	3390	Other Community Services	
	3400	SCHOLARSHIPS AND AWARDS	
	4000	FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENT SERVICES	
	4100	SITE ACQUISITION SERVICES - ORIGINAL AND ADDITIONAL	
	4200	EXISTING SITE IMPROVEMENT SERVICES	
	4300	ARCHITECTURE AND ENGINEERING SERVICES / EDUCATIONAL SPECIFICATIONS DEVELOPMENT - ORIGINAL AND ADDITIONAL	
	4400	ARCHITECTURE AND ENGINEERING SERVICES / EDUCATIONAL SPECIFICATIONS - IMPROVEMENTS	
	4500	BUILDING ACQUISITION AND CONSTRUCTION SERVICES - ORIGINAL AND ADDITIONAL	10200
	4600	EXISTING BUILDING IMPROVEMENT SERVICES	
	5000	OTHER EXPENDITURES AND FINANCING USES	
	5100	DEBT SERVICE / OTHER EXPENDITURES AND FINANCING USES	
	5200	FUND TRANSFERS	
	5300	TRANSFERS INVOLVING COMPONENT UNITS	
	5400	INTRAFUND TRANSFERS OUT	
	5800	SUSPENSE ACCOUNT	
	5900	BUDGETARY RESERVE	
		TOTAL EXPENDITURES	8300903.77

TOTAL REVENUES MINUS TOTAL EXPENDITURES = CURRENT FUND
BALANCE AS OF JUNE 30, 2008

Business Office Procedures

Financial Reporting Policy / Procedure

I. Policy

21st Century Cyber Charter School (21CCCS) shall submit Budgets and Financial reports to the proper authorities as well as the Executive Director in the prescribed time frames. These reports reflect activity that accurately reflect the actual use of funds as recorded in the financial records of the 21CCCS and are in compliance with the terms of Governmental Accounting Standard Board (GASB), and the governing authorities.

II. Procedure

- a. Budgets will be developed annually based on a bottom up approach and in accordance with the Pennsylvania Department of Education Act 1 time lines. Budgets will consist of a Revised Budget of the current year and a proposed budget for the next school year.
 - i. At the end of December to the beginning of February, the Business Manager will meet with Human Resources to discuss salary and benefit assumption for the upcoming budget year. A download out of the payroll system is obtained which includes by employee: their employee id number, name, position, employee class, medical benefit code, dental benefit code, vision benefit code, prescription benefit code, full-time equivalent, current salary, expense code, and allocation of expenses. This information is then uploaded into the FileMaker budget system.
 - ii. A report of all employees and their respective benefit costs is reviewed for accuracy and reflect any changes to any positions. The changes are then reflected in the Budget System.
 - iii. The revised employee information as well as detail budget input sheets are used to develop the Revised and Proposed budgets.
 - iv. The budget is then reviewed by the Executive Director and reviewed for First Reading at the 21CCCS Board of Director Meeting.
 - v. Once approvals by the 21CCCS Board of Directors is received the budget is filed with Pennsylvania Department of Education by the end of May electronically as well as via paper that requires the President of the Board, the Executive Director and Secretary of the Board's signatures.
 - vi. The budget is then uploaded into the General Ledger System.
- b. Financial Reporting is done in accordance with GASB standards. 21CCCS has a separate and distinct Chart of Accounts. The Chart of Account consists of a 23 digit account code that is mandated by the Pennsylvania Department of Education. A Financial Report is generated monthly and annually that includes year to date total.
 - i. Cash Receipts and Revenue
 1. The revenue is generated through billing and cash receipts that are gathered daily in the AR System. See Cash Receipt Policy for details.
 2. The AR System's monthly activity is reconciled to the bank activity each month to verify that all deposits are accounted for and posted in the AR System.
 3. The AR System generates a journal entry that posts all activity by day to be uploaded into the General Ledger System.

4. Revenue is reviewed by the Business Manager and will make adjustments via journal entries to reflect the appropriate revenue.
- ii. Payroll and Salary Expenses
 1. Payroll is generated on a semi-monthly basis through the payroll system. See Payroll Policy for details.
 2. After each payroll is processed, a report is generated as to what expense codes were used in each of payroll and a journal entry is created.
 3. The journal entry is uploaded into General Ledger System.
 4. Payroll is reviewed by the Business Manager and Board Treasurer/Director of Finance and they will make adjustments via journal entries to reflect the appropriate payroll expense for the Program. See Section iv. for additional details.
 - iii. Cash Disbursements/Accounts Payable and Expenditures
 1. The Cash Disbursement system is part of the General Ledger System.
 2. The detail posting from the Cash Disbursements is automatically posted into the General Ledger System with each check run. See Cash Disbursement Policy for details.
 3. Cash Disbursement is reviewed by the Business Manager and the Board Treasurer/Director of Finance and they will make adjustments via journal entries to reflect the appropriate expenditures for the Program. See Section iv. for additional details.
 - iv. Monthly and Annual Recurring and Miscellaneous Journal Entries
 1. Each month and year there are instances that require an adjustment to the General Ledger via journal entries.
 2. The Business Manager may make a journal entry, reviewed by the Board Treasurer/Director of Finance.
 3. The journal entry is entered into the General Ledger System. See Entering and Processing Journal Entries Policy and Procedures for details.
 4. A report that is run to verify that all debits and credit are equal.
 5. A report with the detail of the entry is run to verify that the entry is accurately reflected in the General Ledger.
 6. A copy of the entry, the two reports and the detail back up is given to the Supervisor for approval the journal entry.
 7. The entry is updated into the General Ledger.
 - v. Bank Reconciliations
 1. Each month each bank account is reconciled to the General Ledger. A specific person is assigned a particular Bank Rec. Below is the list of bank reconciliation responsibilities:
 - a. 21st Century Cyber Charter School is completed by Fiscal Assistant.
 2. A schedule of due completion dates is set in the beginning of the fiscal year.
 - a. The bank reports are run and distributed on a Monday morning.
 - b. The bank reconciliation must be completed by that Friday afternoon.
 - c. All transfers in transit must be entered into the Bank Rec Log and must tie to one another.

- d. The transfer in transit is periodically reviewed to ensure that they offset properly by either the Board Treasurer/Director of Finance.
 3. All bank reconciliation must be reviewed and approved by the Supervisor.
 - vi. Account Analysis and Reconciliations
 1. An Account Analysis of all detail activity in all of the Balance Sheet accounts is performed by the Business Manager.
 2. The Account Analysis is reviewed by the Board Treasurer/Director of Finance to ensure that the accounts accurately reflect correct balance.
 3. On a monthly basis the payroll activity is analyzed by the Business Manager and Board Treasurer/Director of Finance to ensure that all payroll activity is reflected properly. The Business Manager reviews the Revenue and Expenditure activity.
 - vii. Financial Reports
 1. Each month a report of Revenue and Expenditures compared to budget on a year to date basis and a monthly Check Register is distributed to the Board of Directors and approved during the Board of Directors' meeting as part of the Financial Reports. See Board Report Procedures for more details.
 2. Each month Reports are distributed to the Executive Director for review. They consist of detail activity for revenue and expenditures, year to date activity compared to budget and a listing of open Purchase Orders.
 3. Besides the monthly Reports annually the Executive Director receives a Fund Balance Report that states their final year to date position.
 4. Annually the Financial Statements are prepared and audited by an outside audit firm. These Statements are audited in compliance with GASB Standards. The audit report is presented and voted on by the Board of Director's historically during the January meeting.
 5. The Annual Financial Report (AFR) is prepared and filed with the Pennsylvania Department of Education by the end of October each year and if necessary, a revised AFR is filed by the end of December that reflects any audit adjustments. The AFR is signed by the Executive Director and the Board Secretary.



21st CENTURY CYBER CHARTER SCHOOL

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2013

TABLE OF CONTENTS

	Pages
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	MD&A
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet - Governmental Fund.....	5
Reconciliation of Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	7
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Government-Wide Statement of Activities	8
Notes to Basic Financial Statements	9 - 26
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund.....	27
Schedule of Funding Progress and Employer Contributions - Postemployment Benefits Plan	28
Note to Required Supplementary Information.....	29
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 <i>GOVERNMENT AUDITING STANDARDS</i>	30 - 31



INDEPENDENT AUDITOR'S REPORT

**To the Board of School Directors
21st Century Cyber Charter School
Exton, Pennsylvania**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of 21st Century Cyber Charter School, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of 21st Century Cyber Charter School, as of June 30, 2013, 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.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

Herbein + Company, Inc.

**Reading, Pennsylvania
December 17, 2013**



21ST CENTURY CYBER CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information

June 30, 2013

The discussion and analysis of 21st Century Cyber Charter School's (Charter School) financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the Charter School's financial performance.

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

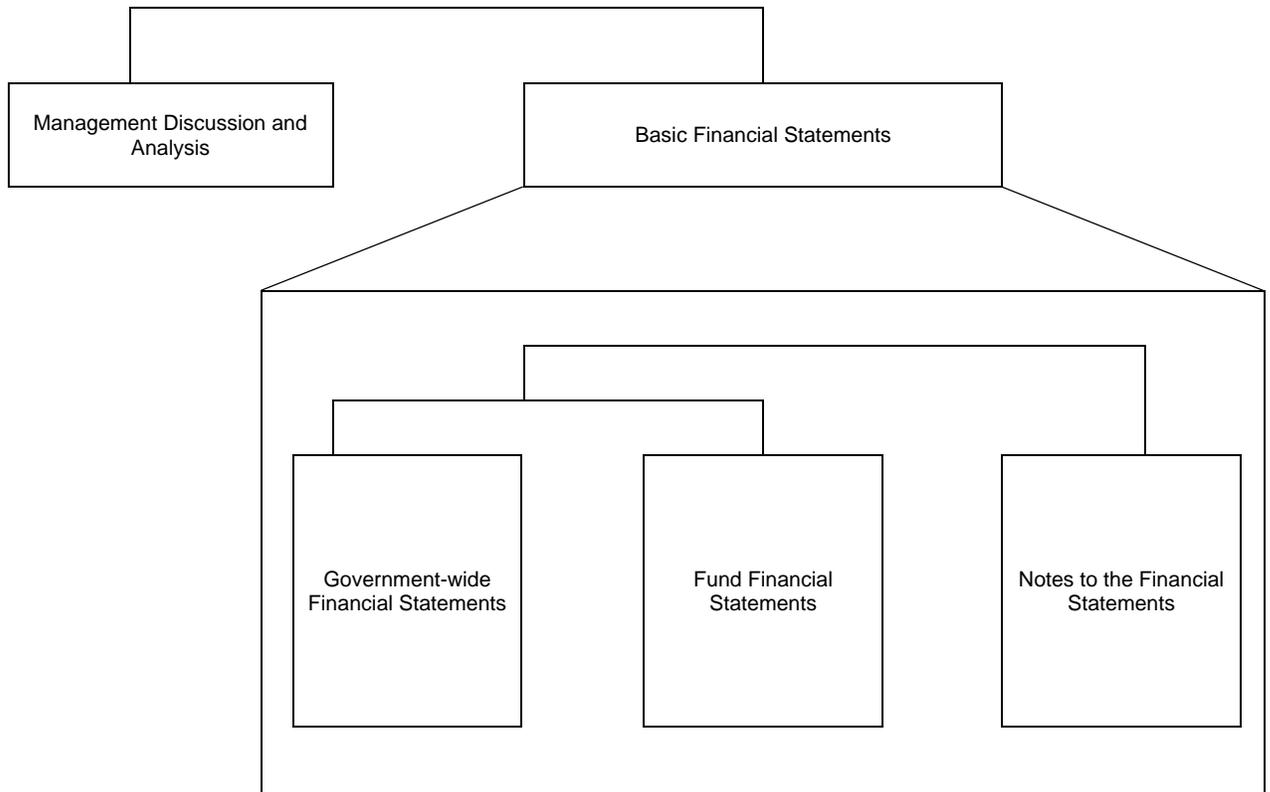
FINANCIAL HIGHLIGHTS

The 21st Century Cyber Charter School's financial results for the 2012-2013 school year resulted in a Governmental Fund balance of \$4,372,726 at June 30, 2013. The June 30, 2011-2012 fund balance was \$3,772,998.

Governmental fund total assets at June 30, 2013 were \$5,479,465 compared to the June 30, 2012 balance of \$4,772,551.

The primary source of revenue are payments from school districts for students that live in the district who attend the cyber charter school.

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



OVERVIEW OF FINANCIAL STATEMENTS

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

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

		Fund Statements
	Government-wide Statements	Governmental Funds
Scope	Entire 21st Century Cyber Charter School (except fiduciary funds)	The activities of the Charter School that are not proprietary or fiduciary, such as education, administration and community services
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, 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
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Statements

The government-wide statements report information about the Charter School as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all government assets and liabilities. Current year 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 Charter School's net position and how they have changed. Net position, the difference between assets and liabilities, are one way to measure the Charter School's financial health or position. Over time, increases or decreases in net position are an indication of whether the Charter School's financial health is improving or deteriorating.

Governmental activities – All of the Charter School's basic services are included here, such as instruction, administration and pupil health.

Fund Financial Statements

The fund financial statements provide more detailed information about the Charter School's funds. The Charter School has no non-major, proprietary or fiduciary funds and reports all activity as governmental funds.

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

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

The Charter School's total net position was \$4,559,950 as of June 30, 2013.

Figure 3		
Condensed Statement of Net Position		
June 30, 2013		
	Governmental Activities	
	2012	2013
Current and other assets	\$ 4,772,551	\$ 5,479,465
Capital Assets	<u>\$ 491,953</u>	<u>\$ 398,406</u>
Total Assets	\$ 5,264,504	\$ 5,877,871
Current and other liabilities	\$ 1,016,853	\$ 1,106,739
Long-term liabilities	<u>\$ 177,473</u>	<u>\$ 211,182</u>
Total Liabilities	\$ 1,194,326	\$ 1,317,921
Net Position		
Invested in capital assets, net of related debt	\$ 491,953	\$ 398,406
Unrestricted	<u>\$ 3,578,225</u>	<u>\$ 4,161,544</u>
Total Net Position	\$ 4,070,178	\$ 4,559,950
Total Liabilities and Net Position	\$ 5,264,504	\$ 5,877,871

Current assets at June 30, 2013 included cash of \$4,182,335, intergovernmental and other receivables of \$1,232,196, prepaid expenses of \$27,363 and deposits of \$37,571. The intergovernmental receivables were higher as a result of increased subsidy payments. The Charter School disposed of, computer hardware and software, which resulted in a \$93,546 decrease in net capital assets.

Total liabilities increased in 2012-2013. Accounts payable balances were \$610,194, compared to the prior year balance of \$635,740. The decrease of \$25,546 is a result of amounts due for services rendered and expenses paid on behalf of 21CCCS as well as additional purchases. Accrued salaries and benefits increased from \$339,830 at June 30, 2012 to \$484,778 at June 30, 2013, a result of the 2012-2013 staffing additions. The compensated absences accrual, which reflects the value of unused vacation time decreased from \$89,508 to \$75,716 (current portion is zero + long-term portion \$75,716) as of June 30, 2013. The long term liability related to GASB 45 – Accounting for Other Post Employment Benefits increased by \$105,265 to \$135,466 at the end of 2012-2013 school year.

Figure 4
Changes in Net Position from Operating Results

June 30, 2013		
Revenues	Governmental Activities	
	2012	2013
Program Revenues		
Charges for services	\$ 8,088,636	\$ 8,525,204
Operating grants and contributions	\$ 269,049	\$ 366,364
Capital grants and contributions	0	0
Investment Earnings	\$ 8,261	\$ 9,062
Total Revenues	\$ 8,357,946	\$ 8,900,630
Expenses		
Instruction - Regular Programs	\$ 4,453,704	\$ 4,887,154
Instruction - Special Programs	\$ 550,458	\$ 684,951
Support Services	\$ 2,542,202	\$ 2,838,753
Total Expenses	\$ 7,546,364	\$ 8,410,858
Increase (Decrease) in Net Position	\$ 811,582	\$ 489,772
Beginning Net Position	\$ 3,258,596	\$ 4,070,178
Ending Net Position	\$ 4,070,178	\$ 4,559,950

Growing enrollments in the Charter School and partnerships generated approximately \$403,000 of additional tuition revenue in 2012-2013 compared to the prior school year.

Total expenses in 2012-2013 were approximately \$861,000 higher than in 2011-2012 due to increased staffing levels required to serve the additional enrollments, increased demand for special education services, the purchase of additional computer equipment, and peripheral supply items for student use.

BUDGET HIGHLIGHTS

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

Actual 2012-2013 revenues were less than .7% lower than budgeted amounts. Expenditures were \$438,622 lower than the final budget as overall spending levels were less than anticipated. Some new and current staff positions budgeted for 2012-2013 were not filled during the school year or were filled later than planned. The high school principal position was filled in the 2013-14 school year. The Charter School experienced savings in the following other areas: postage costs partly due to more efficient shipping procedures and discounted services, conferences/travel were held to a minimum.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the Charter School had \$ 398,406 invested in furniture and computer equipment.

Figure 5 Capital Assets (net of depreciation)		
June 30, 2013		
	Governmental Activities	
	2012	2013
Building Improvements	\$ 20,014	\$ 19,322
Furniture & Computer Equipment	\$ 471,939	\$ 379,084
Total	\$ 491,953	\$ 398,406

Debt Administration

The 21st Century Cyber Charter School had no debt as of June 30, 2013.

ECONOMIC FACTORS AND THE CHARTER SCHOOL'S FUTURE

The 21st Century Cyber Charter School is continued to increase its teaching staff in 2012-2013 in order to accommodate increased enrollments and to expand class offerings and related services. Management has expanded the role of teaching assistants which allows teachers to service more students. In addition, as enrollments have increased, so has the demand for special education services. Several of the new teaching positions in 2011-12 required special education certifications and in 2012-2013 an increase in special education teachers has helped to bridge the gap from the increase in student enrollment for special education.

In August 2012, with the increase of enrollment and growing staff in the Administration team, Instructional Systems Design group, Marketing and teacher subject area were relocated to the current location 782 Springdale Drive in Exton. The Middle School teaching staff and principal moved to the main location at 805 Springdale Drive, allowing one central location for all teaching staff. Both leases expire on August 31, 2013; therefore the leases were amended in 2012-13 to extend the lease agreement to June 30, 2014. On October 31, 2013 the process was completed for the settlement of the property located at 126 Wallace Avenue in Downingtown. The anticipated move in will be Spring/Summer of 2014.

21CCCS was notified in June 2011 that its charter had been renewed effective July 1, 2011 for another 5 years. The Charter School also made Annual Yearly Progress (AYP) in 2010-2011, one of only two cyber charter schools in Pennsylvania to do so and repeated AYP achievement as one of only three cyber charter schools in Pennsylvania with 2011-2012 school year. The Charter School is the only statewide cyber charter to have achieved AYP for five consecutive years (2004-2005 through 2008-2009). Beginning in 2012 the Department of Education recalculated the figures to determine Annual Yearly Progress. The new recalculation classifies charters as districts and not as individual schools when calculating AYP.

In 2006, the 21st Century Cyber Charter School and the Chester County Intermediate Unit entered into an agreement that established a virtual program to offer online classes to students enrolled in school districts throughout the Commonwealth. The program, under the name of Brandywine Virtual Academy (BVA), offers online courses for original credit course and credit recovery during the school year and summer school. The Charter School staff had managed the program since BVA's inception, in early 2011-12, the CCIU took on a larger role and began managing BVA's day-to-day operations and expanding its services. The Charter School's new role is to provide instructional services (teachers and curriculum) only to Partnership students.

The Board of Trustees has maintained the agreement between 21CCCS and the CCIU to provide accounting, human resources, and other services. The Board of Trustees determined this agreement will end as of June 30, 2014. Several CCIU staff members continue to work with the school daily to service the Charter School's needs.

The Pennsylvania School Employees Retirement System (PSERS) retirement rate for 2012-13 was 12.36% of qualified wages. The 2012-2013 rate is an increase over the 2011-2012 PSERS rate of 8.65%. The employer contribution rate for fiscal year 2014-2015 will be 21.40%. This rate was determined by PSERS' actuary and is subject to certification by the PSERS Board of Trustees.

PSERS has developed tentative projections for the employer contribution rate for future years that range from 16.69 % to 26.96%. These tentative projections are based on the actual investment returns and potential actuarial experience losses for the 2012-2013 fiscal year and will have a significant impact on future operations.

To date, no legislation has been passed regarding cyber charter school funding. The Board of Trustees has approved a program stabilization fund to provide financial assistance to the Charter School, if needed, when the legislation is approved.

CONTACTING THE 21ST CENTURY CYBER CHARTER SCHOOL FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the Charter School's finances and to show accountability for the money received. If you have questions about this report or wish to request additional financial information, please contact the Open Records Officer, 21st Century Cyber Charter School, 805 Springdale Drive, Exton, PA 19341, 484-875-5400.

21st CENTURY CYBER CHARTER SCHOOL

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 4,182,335
Intergovernmental Receivables	1,144,560
State Subsidies Receivable	87,636
Prepaid Expenses	27,363
Deposits	37,571
Capital Assets, Net of Accumulated Depreciation	<u>398,406</u>
TOTAL ASSETS	<u>5,877,871</u>
LIABILITIES	
Accounts Payable	610,194
Accrued Liabilities	11,767
Accrued Salaries and Benefits	484,778
Noncurrent Liabilities	
Long-Term Portion of Compensated Absences	75,716
Postemployment Benefit Obligation	<u>135,466</u>
TOTAL LIABILITIES	<u>1,317,921</u>
NET POSITION	
Net Investment in Capital Assets	398,406
Unrestricted	<u>4,161,544</u>
TOTAL NET POSITION	<u>\$ 4,559,950</u>

See accompanying notes.

21st CENTURY CYBER CHARTER SCHOOL

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$ 4,887,154	\$ 4,758,477	\$ 173,482	\$ 44,805
Special	684,951	699,899	89,570	104,518
Total Instructional Services	<u>5,572,105</u>	<u>5,458,376</u>	<u>263,052</u>	<u>149,323</u>
Support Services:				
Instructional Student Support	1,111,288	1,034,153	52,363	(24,772)
Administration and Financial				
Support Services	<u>1,727,465</u>	<u>2,032,675</u>	<u>50,949</u>	<u>356,159</u>
Total Support Services	<u>2,838,753</u>	<u>3,066,828</u>	<u>103,312</u>	<u>331,387</u>
Total Governmental Activities	<u>\$ 8,410,858</u>	<u>\$ 8,525,204</u>	<u>\$ 366,364</u>	480,710
		General Revenues:		
		Investment Earnings		<u>9,062</u>
		Change in Net Position		489,772
		Net Position - Beginning		<u>4,070,178</u>
		Net Position - Ending		<u>\$ 4,559,950</u>

21st CENTURY CYBER CHARTER SCHOOL

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2013

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 4,182,335
Intergovernmental Receivables	1,144,560
State Subsidies Receivable	87,636
Prepaid Expenditures	27,363
Deposits	37,571
	<u>37,571</u>
TOTAL ASSETS	<u><u>\$ 5,479,465</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 610,194
Accrued Liabilities	11,767
Accrued Salaries and Benefits	484,778
	<u>484,778</u>
TOTAL LIABILITIES	1,106,739
FUND BALANCE	
Nonspendable Fund Balance, Prepaid Expenditures, and Deposits	64,934
Committed Fund Balance:	
Future Building Fund	1,400,000
Future Capital Equipment/Software/Furniture Purchases	60,000
Future Curriculum Development Costs	44,000
New Initiatives Fund	300,000
Future Program Stabilization Fund	1,400,000
Minimum Lease Obligation	263,209
Assigned Fund Balances:	
Encumbrances	26,938
PSERS Retirement Rate Increases	360,371
Unassigned Fund Balance	453,274
	<u>453,274</u>
TOTAL FUND BALANCE	<u>4,372,726</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 5,479,465</u></u>

21st CENTURY CYBER CHARTER SCHOOL

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

June 30, 2013

TOTAL FUND BALANCES - GOVERNMENTAL FUND \$ 4,372,726

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$748,431 and the accumulated depreciation is \$350,025. 398,406

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

Postemployment Benefit Obligation	\$ (135,466)	
Long-Term Portion of Compensated Absences	<u>(75,716)</u>	<u>(211,182)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 4,559,950

21st CENTURY CYBER CHARTER SCHOOL

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

For the Year Ended June 30, 2013

	<u>General Fund</u>
REVENUES	
Local Sources	\$ 8,667,812
State Sources	<u>232,818</u>
TOTAL REVENUES	8,900,630
EXPENDITURES	
Current:	
Instruction - Regular Programs	4,591,249
Instruction - Special Programs	684,951
Instruction - Other Instructional Programs	25,063
Support Services	2,989,439
Capital Outlay	<u>10,200</u>
TOTAL EXPENDITURES	<u>8,300,902</u>
NET CHANGE IN FUND BALANCE	599,728
FUND BALANCE - BEGINNING	<u>3,772,998</u>
FUND BALANCE - ENDING	<u><u>\$ 4,372,726</u></u>

21st CENTURY CYBER CHARTER SCHOOL

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

For the Year Ended June 30, 2013

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ 599,728

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlays	\$ 26,934	
Less: Depreciation Expense	(110,688)	
Loss on Disposal of Asset	<u>(9,793)</u>	(93,547)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

13,792

Postemployment benefits are recognized when they are paid on the fund statements. With the implementation of GASB #45, an estimated liability for future benefits due will be phased in over several years. This amount represents the difference between the estimated annual cost and the amount paid.

(30,201)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 489,772

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

The 21st Century Cyber Charter School (Charter School) was originally chartered through West Chester Area School District. The Charter School was established in April 2001 and began operations in July 2001. Effective July 1, 2006, the Charter School became chartered directly through the Pennsylvania Department of Education. The current charter expires June 30, 2015.

The Charter School is located in Exton, Pennsylvania and was established to provide services to students located in Pennsylvania.

The Charter School is governed by a board made up of the executive directors of the Bucks, Chester, Delaware and Montgomery County Intermediate Units, two school district superintendents from each county, and three parent members.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Charter School used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, etc) within its reporting entity. The criteria used by the Charter School for inclusion are financial accountability and the nature and significance of the relationships. In determining accountability in a given case, the Charter School reviews the applicability of the following criteria. The Charter School is financially accountable for:

- Organizations that make up the legal Charter School entity.
- Legally separate organizations if Charter School officials appoint a voting majority of the organizations' governing body and the Charter School is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Charter School as defined below.

Impose its will – If the Charter School can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization.

Financial benefit or burden – exists if the Charter School (1) is entitled to the organization's resources; (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization; or (3) is obligated in some manner for the debt of the organization.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity – (continued)

- Organizations that are fiscally dependent on the Charter School. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the Charter School.

Based on the foregoing criteria, the 21st Century Cyber Charter School has determined it has no component units.

B. Basis of Presentation – Government-Wide Financial Statements

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

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

C. Basis of Presentation – Fund Financial Statements

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

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation – Fund Financial Statements – continued

The Charter School reports the following major governmental fund:

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

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

D. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within 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.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measureable and available only when cash is received by the Charter School.

21st CENTURY CYBER CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Information

1. Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations, except unexpended grant appropriations and encumbrances, lapse at fiscal year-end. The Charter School's 2012-2013 budget was prepared and approved by the board of directors prior to submitting the budget to the Pennsylvania Department of Education.

All budget amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budget during the year.

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

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

2. Receivables

As all of the intergovernmental and state receivables are due from local school districts and the Pennsylvania Department of Education (PDE), management believes that they are fully collectible. Thus, no allowance has been deemed necessary or reported in the accompanying financial statements.

3. Prepaid Items

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

4. Capital Assets, Depreciation, and Amortization

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

21st CENTURY CYBER CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

4. Capital Assets, Depreciation, and Amortization - continued:

The Charter School generally capitalizes assets with a cost of \$1,500 or more as purchase and construction outlays occur. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

<u>Assets</u>	<u>Years</u>
Leasehold improvements	20 - 50
Furniture and computer equipment	5 - 20

Interest costs incurred during the construction phase of capital assets are capitalized when incurred by proprietary funds and similar component units on debt where proceeds were used to finance the construction of assets.

5. 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*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

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*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Charter School has no items that qualify for reporting in these categories.

21st CENTURY CYBER CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

6. Unearned Revenues

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

7. Net Position

Government Accounting Standards requires the classification of net position into the three components shown below which are defined as follows:

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvements of these assets reduce the balance in the category.

Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category represents net position of the Charter School, which are not restricted for any project or other purpose.

8. Net Position Flow Assumption

Sometimes the Charter School will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Charter School's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

21st CENTURY CYBER CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance – continued

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

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

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

21st CENTURY CYBER CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Revenues and Expenditures

1. Program Revenues

Amounts reported as *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 or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operations or capital requirements of a particular function or segment. Other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Tuition Revenue - School Districts

Local sources revenue includes tuition revenue which represents the tuition paid by various school districts for the students enrolled in the Charter School who reside within that particular school district. This revenue is earned and recognized during the applicable school year.

3. Compensated Absences

The Charter School allows employees to accumulate sick and vacation leave based on contractual agreements. An employee must be with the Charter School for ten years before they are eligible for a pay-out of sick days. Once eligible, employees are paid at 50% of their per diem rate, up to a maximum of \$7,500.

H. Other Use of Estimates

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

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 2 - CASH AND CASH EQUIVALENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Charter School does not have a policy for custodial credit risk. As of June 30, 2013, the carrying amount and the bank balance of the Charter School's deposits was \$4,182,335. Of the bank balance, \$250,000 was covered by federal depository insurance and \$3,932,335 of the Charter School's bank balance was exposed to custodial credit risk because it was uninsured and collateral held by the depository's agent was not in the Charter School's name.

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

As all of the intergovernmental and state receivables are due from local school districts and the Pennsylvania Department of Education (PDE), management believes that they are fully collectible. Thus, no allowance has been deemed necessary or recorded in the accompanying financial statements.

The intergovernmental receivables balance of \$1,144,561 is comprised of receivables from numerous districts and the Pennsylvania Department of Education as of June 30, 2013. Balances not remitted by the school districts will be withheld from the school's basic education subsidy and paid by the Pennsylvania Department of Education.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease/ Transfers</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets being depreciated:				
Leasehold Improvements	\$ 20,764	\$ -	\$ -	\$ 20,764
Furniture and Computer Equipment	<u>777,396</u>	<u>26,934</u>	<u>(76,663)</u>	<u>727,667</u>
Total at historical cost	<u>798,160</u>	<u>26,934</u>	<u>(76,663)</u>	<u>748,431</u>
Less accumulated depreciation for:				
Leasehold Improvements	(750)	(692)	-	(1,442)
Furniture and Computer Equipment	<u>(305,457)</u>	<u>(109,996)</u>	<u>66,870</u>	<u>(348,583)</u>
Total accumulated depreciation	<u>(306,207)</u>	<u>(110,688)</u>	<u>66,870</u>	<u>(350,025)</u>
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	<u>\$ 491,953</u>	<u>\$ (83,754)</u>	<u>\$ (9,793)</u>	<u>\$ 398,406</u>

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 4 - CAPITAL ASSETS - CONTINUED

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

Instruction:		
Regular Education	\$	61,544
Special Education		9,133
Support Services:		
Instructional Student Support		13,956
Administrative and Financial Support Services		<u>26,055</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	\$	<u>110,688</u>

NOTE 5 - LEASES

During the 2008/2009 school year, the Charter School entered into an operating-type lease agreement for office space at 805 Springdale Drive, Exton, PA that expires August 31, 2013. The Charter School is responsible for payment of utilities and real estate taxes and must also meet certain minimum insurance requirements.

Total rent charged to expense during 2013 for this commitment was \$211,235.

In May 2011, the Charter School entered into a short-term lease agreement for office space at 782 Springdale Drive, Exton, PA that commences August 1, 2011 and expires August 31, 2013. The Charter School is responsible for payment of utilities and must meet certain minimum insurance requirements. Real estate taxes and maintenance fees are included in the rental amount.

Total rent charged to expense during 2013 for this commitment was \$62,437.

During the 2012/2013 fiscal year the Charter School extended both leases through June 30, 2014.

Future minimum payments under both operating leases that have remaining terms in excess of one year are as follows for the years ending June 30:

2014	<u>\$ 286,812</u>
------	-------------------

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 6 - COMPENSATED ABSENCES LIABILITY

Compensated Absences

Vested or accumulated vacation, sick leave, or sabbatical leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation, sick leave, or sabbatical leave that are not expected to be liquidated with expendable available financial resources are reported in governmental activities. No liability is recorded for nonvesting accumulated rights to receive sick pay benefits. However, a liability is recognized for a portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement. The Charter School has calculated the amount to be provided for compensated absences as of follows:

<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Current</u> <u>Portion</u>
<u>\$ 89,508</u>	<u>\$ 44,033</u>	<u>\$ (57,825)</u>	<u>\$ 75,716</u>	<u>\$ -</u>

Future liabilities will be paid by the general fund.

NOTE 7 - PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

Plan Description

The Charter School contributes to a governmental cost-sharing multiple employer defined benefit pension plan administered by PSERS. Benefit provisions of the Plan are established under the provisions of The Public School Employees' Retirement Code and may be amended by an act of the Pennsylvania State Legislature. The Plan provides retirement, disability, death benefits, legislatively mandated ad hoc cost-of-living adjustments, and health care insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member's accumulated contribution upon termination of a member's employment in the public school sector. PSERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the Plan. A copy of the report may be obtained by writing to: Public School Employees' Retirement System, PO Box 125, Harrisburg, PA 17108-0125. The report is also available in the publications Section of the PSERS site on the internet at www.psers.state.pa.us.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 7 - PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS) - CONTINUED

Funding Policy

The contribution policy is set by the code and requires contributions by active employees and by participating employers. Active members who joined the system prior to July 22, 1983, contribute at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of the member's qualifying compensation. Members joining PSERS on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members joining PSERS after June 30, 2001 and who were active or inactive as of June 30, 2011 contribute at 7.50 percent (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members joining PSERS on or after July 1, 2011 contribute at 7.50 percent (Membership Class TE) or at 10.30 percent (Membership Class TF). Both membership classes TE and TF contain a "shared risk" which allows for an increase in the contribution percentage up to an additional 2.00 percent based on market results.

The contributions required of participating employers are based upon an actuarial valuation and are expressed as a percentage of annual covered payroll during the period for which the amount is determined. For the fiscal year ended June 30, 2013, the rate of employer contribution was 12.36 percent of covered payroll. The 12.36 percent rate is comprised of a pension contribution rate of 11.50 percent for pension benefits and 0.86 percent for health insurance premium assistance. The Charter School's contribution to PSERS for the fiscal years ended June 30, 2013, 2012, and 2011 was \$441,565, \$292,214, and \$160,982, respectively.

NOTE 8 - POSTEMPLOYMENT BENEFITS

Plan Description

The 21st Century Cyber Charter School administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Charter School's health insurance plan, which covers both active and retired members. The Retiree Health Plan does not issue a publicly available financial report.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 8 - POSTEMPLOYMENT BENEFITS - CONTINUED

The required contribution is based on pay-as-you-go financing. For administrators with less than twenty years with the Charter School, the retired plan member contributes the premium in excess of the flat-dollar Charter School contribution for medical insurance determined at the member's retirement for the retired plan member and their spouse. For administrators with twenty years or more with the Charter School the retired plan member must pay premiums for vision. The retired plan member must pay 50 percent of the cost of term life insurance. The premium sharing for medical insurance is limited to half of the retirees years of service and after that time the retired plan member is responsible for paying 100 percent of the premiums for medical insurance, and long-term care insurance is provided based on years of service with the Charter School paying 100 percent of the cost. Over age 65, the retiree must pay the premium in excess of the flat-dollar Charter School contribution determined at age 65. In addition, long-term care insurance is only provided for a period equal to half of the retiree's service.

Project staff are allowed to continue coverage for themselves and dependents until the member reaches Medicare age. The retiree is responsible for payment equal to the premium determined for the purposes of COBRA.

Annual OPEB Cost and Net OPEB Obligation

The Charter School's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Charter School's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Charter School's net OPEB obligation:

Annual required contribution	\$ 33,101
Interest on net OPEB obligation	4,737
Adjustment to annual required contribution	<u>(7,637)</u>
Annual OPEB Cost	30,201
Contributions made (estimated)	<u>-</u>
Estimated increase in net OPEB obligation	30,201
Net OPEB obligation - beginning of year	<u>105,265</u>
Net OPEB obligation - end of year	<u>\$ 135,466</u>

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 8 - POSTEMPLOYMENT BENEFITS - CONTINUED

The Charter School’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 30,201	0.0%	\$ 135,466
6/30/2012	31,056	0.0%	105,265
6/30/2011	31,936	0.0%	74,209

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$99,374, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$99,374. The covered payroll (annual payroll of active employees covered by the plan) was \$2,337,687, and the ratio of the UAAL to the covered payroll was 4.25%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about actuarial value of plan assets and actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5 percent initially, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent in 2014. Rates gradually decrease from 5.3 percent in 2015 to 4.2 percent in 2099 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The unfunded actuarial accrued liability is being amortized using single period amortization as of the end of the year based on level dollar, 22-year open period. This is the weighted average of service until retirement (active liability) and payment period (retired liability).

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 9 - FUND BALANCE

Fund balance classifications for the general fund were as follows for the year ended June 30, 2013:

Nonspendable		
Prepaid Expenditures	\$	27,363
Deposits		37,571
Committed		
Future Building Fund		1,400,000
Future Capital Equipment Costs		60,000
Future Curriculum Development		44,000
New Initiatives Fund		300,000
Future Program Stabilization Fund		1,400,000
Minimum Lease Obligation		263,209
Assigned		
Encumbrances		26,938
PSERS Retirement Rate Increases		360,371
Unassigned		<u>453,274</u>
Total Fund Balance	\$	<u><u>4,372,726</u></u>

The commitments were authorized by the board of school directors' motion to set aside resources to fund the commitments noted above. The assignments were authorized by the board through adoption of the 2013/2014 general fund budget.

NOTE 10 - RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for unemployment compensation, for which the Charter School retains risk of loss. For insured programs, there were no significant reductions in insurance coverages for the 2012/13 school year. Settlement amounts have not exceeded insurance coverage for the current year.

In an effort to contain costs related to commercial insurance, the Charter School through the Chester County Intermediate Unit has established an internal service fund to account for and finance its uninsured risks of loss. Under this program, the Charter School through the Chester County Intermediate Unit is self-insured for unemployment compensation purposes. The Charter School makes payments to the internal service fund based on estimates of amounts needed to pay prior and current year claims and to establish a reserve for unexpected losses.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 11 - JOINT AGREEMENT

The Charter School entered into an agreement with the Chester County Intermediate Unit on April 25, 2002, whereby the CCIU would provide the Charter School with office space, human resources, accounting, payroll, telecommunication, and janitorial services. In exchange, the Charter School would pay the CCIU an annual fee based on total activity. The arrangement was modified effective November 2008, when the Charter School moved to a separate location. Total fees paid under this agreement for the year ended June 30, 2013 was \$319,169.

In addition, the Charter School pays consulting fees for specific CCIU employees to provide services to the Charter School. These consulting fees are based on a percentage of salaries and benefits for the following positions: accounting supervisor, accounts payable bookkeeper, and human resource generalist. Total fees paid for these services for the year ended June 30, 2013 were \$182,198. The CCIU billed the Charter School an additional \$56,085 for miscellaneous services including special education evaluations and services, book shipping services, Moodle access and design, and instructional equipment repair.

Subsequent to year end, the board of school directors issued a directive to management to terminate the contract with the CCIU for administrative support no later than 2014.

In September 2009, Chester County Intermediate Unit and the 21st Century Cyber Charter School entered into a cooperative agreement to provide online courses to students enrolled in the Brandywine Virtual Academy (BVA). BVA was created to provide individual students with courses necessary to graduate from high school for enrichment or remediation purposes. Under the agreement, 21st Century Cyber Charter School provides both credited and noncredited courses and the Intermediate Unit takes care of marketing the BVA program and related services. The original agreement covered a three-year term through June 2012 and was renewed in September 2012 for a 1-year term ending June 2013.

Subsequent to year end, the Charter School renewed the agreement for an additional one year term ending June 30, 2014.

In 2012-2013, the Charter School billed the Chester County Intermediate Unit \$460,953 for providing instruction, curriculum, and other related expenses for the CCIU's Brandywine Virtual Academy.

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS

Effective June 30, 2013, the Charter School adopted Governmental Accounting Standards Board Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, to be in conformity with generally accepted accounting principles.

Statement No. 63 establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The statement provides a framework that specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities, should be displayed. The statement also discusses how net position, no longer net assets, should be displayed.

Statement No. 65 establishes guidance to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement also restricts the use of the term "deferred" only to those items designated as deferred outflows or deferred inflows of resources by the standards. The adoption of this standard resulted in no restatement to the Charter School's beginning net position as of July 1, 2012.

NOTE 13 - NEW ACCOUNTING STANDARDS

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

- Statement No. 67, *Financial Reporting for Pension Plans*, which is required to be implemented by the year ending June 30, 2014. The objective of this statement is to improve financial reporting by enhancing financial statement note disclosure and required supplementary information for government pension plans.
- Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented by the year ending June 30, 2015. The objective of this statement is to improve accounting and financial reporting by governments for pensions. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures. This statement also enhances note disclosure and required supplementary information for government pension plans. This pronouncement applies to employers that have a legal obligation to make contributions directly to a pension plan.

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

21st CENTURY CYBER CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 14 - SUBSEQUENT EVENTS

On October 31, 2013 the Charter School completed settlement on the purchase of a new administrative building at 126 Wallace Avenue in Downingtown, PA 19335. The total purchase cost was \$1,420,600, which includes building, settlement costs, taxes, and transfers. The building purchase was funded using cash on hand.

On December 10, 2013 the Charter School board of school directors approved bids to various construction companies totaling approximately \$1,350,000 for the renovation of the new administration offices. The commitment will be funded through cash on hand and future borrowing of long term debt.

REQUIRED SUPPLEMENTARY INFORMATION

21st CENTURY CYBER CHARTER SCHOOL

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Local Sources	\$ 9,502,502	\$ 8,714,700	\$ 8,667,812	\$ (46,888)
State Sources	<u>258,408</u>	<u>253,037</u>	<u>232,818</u>	<u>(20,219)</u>
TOTAL REVENUES	9,760,910	8,967,737	8,900,630	(67,107)
EXPENDITURES				
Instruction				
Regular Programs	5,174,967	4,782,552	4,591,249	191,303
Special Programs	846,615	789,229	684,951	104,278
Other Instructional Programs	<u>50,665</u>	<u>50,665</u>	<u>25,063</u>	<u>25,602</u>
Total Instruction	6,072,247	5,622,446	5,301,263	321,183
Support Services				
Pupil Personnel Services	401,832	401,092	360,671	40,421
Instructional Staff Services	657,073	657,073	650,885	6,188
Administrative Services	1,666,403	1,556,362	1,370,452	185,910
Pupil Health	83,960	31,500	34,683	(3,183)
Operation & Maintenance of Plant Services	<u>465,687</u>	<u>471,051</u>	<u>572,748</u>	<u>(101,697)</u>
Total Support Services	3,274,955	3,117,078	2,989,439	127,639
Capital Outlay	<u>-</u>	<u>-</u>	<u>10,200</u>	<u>(10,200)</u>
TOTAL EXPENDITURES	<u>9,347,202</u>	<u>8,739,524</u>	<u>8,300,902</u>	<u>438,622</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 413,708</u>	<u>\$ 228,213</u>	599,728	<u>\$ 371,515</u>
FUND BALANCE - BEGINNING			<u>3,772,998</u>	
FUND BALANCE - ENDING			<u>\$ 4,372,726</u>	

21ST CENTURY CYBER CHARTER SCHOOL

**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS -
POSTEMPLOYMENT BENEFITS PLAN**

Schedule of Funding Progress

	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a) / c)</u>
Governmental Activities	7/1/2010	\$ -	\$ 99,374	\$ 99,374	0.00%	\$ 2,337,687	4.25%
	7/1/2007	-	27,679	27,679	0.00%	1,451,354	1.91%

Schedule of Employer Contributions

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percent of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 30,201	\$ -	0.00%	\$ 135,466
2012	31,056	-	0.00%	105,265
2011	31,936	-	0.00%	74,209
2010	13,726	-	0.00%	42,273
2009	14,088	-	0.00%	28,547
2008	14,459	-	0.00%	14,459

21st CENTURY CYBER CHARTER SCHOOL

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013

BUDGETARY DATA

The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.



Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in
Accordance with *Government Auditing Standards*

**To the Board of School Directors
21st Century Cyber Charter School
Exton, Pennsylvania**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of 21st Century Cyber Charter School as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise 21st Century Cyber Charter School's basic financial statements and have issued our report thereon dated December 17, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 21st Century Cyber Charter School's internal control over financial reporting (internal control) to determine the 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 21st Century Cyber Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of 21st Century Cyber Charter School's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 21st Century Cyber Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Herbein + Company, Inc.

**Reading, Pennsylvania
December 17, 2013**

CERTIFICATION VERIFICATION FORM
PDE-414

Complete the following information for all professional staff members.

Staff No.	Name of employee (List all names in alphabetical order)	PA Certified Yes/No	Areas of Certification Type of Certificate	Grades Teaching or Serving	All Areas of Assignment Subject Areas Teaching or Services Provided	Number of Hours Worked in Assignmnt	Percentage of Time in Certified Position	Percentage of Time in Areas Not Certified
1	Valerie Amoroso	Yes	Instructional I Mathematics 7-12 (6800)	7-12	Algebra I	1463	100	0
2	Kylene Ball	Yes	Instructional I Mid-Level Mathematics 6-9 (2860), Instructional I English 7-12 (3230), Instructional I Biology 7-12 (8405), Instructional I Early Childhood N-3 (2840), Instructional I Elementary K-6 (2810), Administrative I Principal K-12 (1115)	6-12	Principal	1950	100	0
3	Mark Benson	Yes	Instructional I Social Studies 7-12 (8875), Instructional I English 7-12 (3230), Instructional I Mid-Level Mathematics 6-9 (2860)	7-9	American History I, World Cultures	1463	100	0
4	Melissa Brown de Gerena	Yes	Instructional I Mid-Level Science 6-9 (2880), Instructional I Mid-Level Mathematics 6-9 (2860), Instructional I Biology 7-12 (8405), Instructional I General Science 7-12 (8450), Program Specialist ESL K-12 (4499)	7-12	Biology, Intro to Forensic Science	608	100	0
5	Kristina Cherrier	Yes	Instructional I Social Studies 7-12 (8875), Instructional I Special Education N-12 (9225), Instructional I Mid-Level English 6-9 (2850)	6-12	Special Education Resource	1463	100	0
6	Peicheng Chu	Yes	Instructional II Chinese K-12 (4405), Instructional II German K-12 (4420), Instructional II Mid-Level Mathematics 6-9 (2860)	7-12	Mandarin Chinese I & II, Keyboarding, Web Design	1950	100	0
7	Emily Cloetingh	Yes	Instructional I Communications 7-12 (3200), Instructional I Family-Consumer Science K-12 (5600), Instructional I English 7-12 (3230)	9-12	English Literature	615	100	0
8	Coleen Derleth	Yes	Instructional II English 7-12 (3230), Instructional II Mid-Level Mathematics 6-9 (2860), Instructional II Social Studies 7-12 (8875)	9-12	Economics, Psychology, US Government, American History II	1463	100	0
9	Thomas Dolan	Yes	Instructional I Social Studies 7-12 (8875), Instructional I Instructional I Special Education PK-12 (9225)	7-12	American History II, World History, Special Education Resource	1463	100	0
10	Benjamin Dutcher	Yes	Instructional I English 7-12 (3230)	6-12	Language Arts I, American Literature	615	100	0
11	Laura Elder	Yes	Instructional II Mid-Level Citiz. Ed 7-9 (2870), Instructional II Social Studies 7-12 (8875), Instructional II Citizenship 7-12 (8825), Instructional II English 7-12 (3230)	9-12	American History II, World Geography, World History	1463	100	0
12	Christopher Etherington	Yes	Instructional II Mid-Level Mathematics 6-9 (2860), Instructional II Physics 7-12 (8470), Instructional II Earth and Space Science 7-12 (8440), Instructional II General Science 7-12 (8450), Instructional II Mid-Level Science 6-9 (2880)	9-12	Earth & Space Science, Environmental Science, Physical Science, Physics	1463	100	0
13	James Flynn	Yes	Instructional I Art K-12 (1405)	6-12	Advanced Digital Photography, Art Appreciation, Art I, Art II & III, Digital Photography, Drawing	1463	100	0
14	Monica Frank	Yes	Instructional I Mid-Level Citiz. Ed 7-9 (2870), Instructional I Mid-Level Mathematics 6-9 (2860), Instructional I Elementary K-6 (2810), Instructional I Mid-Level Science 6-9 (2880), Instructional I Family-Consumer Sci K-12 (5600), Administrative I Principal K-12 (1115)	6-12	Principal	1950	100	0
15	Steven Galette	Yes	Instructional I Health & Physical Educ K-12 (4805)	6-12	Applied Physical Education, Health, Intro & Applied Fitness, Intro to Anatomy and Physiology, Intro to Fitness, PE/Health I, II & III,	1463	100	0
16	Heather Gowton	Yes	Instructional I Chemistry 7-12 (8420), Instructional I Biology 7-12 (8405), Instructional I Environmental Educ K-12 (4820), Instructional I General Science 7-12 (8450), Instructional I Special Education PK-12 (9225),	9-12	Biology, Environmental Science	1463	100	0

Staff No.	Name of employee (List all names in alphabetical order)	PA Certified Yes/No	Areas of Certification Type of Certificate	Grades Teaching or Serving	All Areas of Assignment Subject Areas Teaching or Services Provided	Number of Hours Worked in Assignmnt	Percentage of Time in Certified Position	Percentage of Time in Areas Not Certified
			Instructional I Mid-Level Mathematics 6-9 (2860)					
17	Jodi Grobman	Yes	Instructional I Social Studies 7-12 (8875), Instructional I Mathematics 7-12 (6800)	7-12	Senior Math Anchors, Pre-Calculus, Math Principles, Algebra II.	1463	100	0
18	Kathleen Groff	Yes	Instructional II English 7-12 (3230)	9-12	American Literature, English Composition, Graphic Novel Seminar	1463	100	0
19	Trisha Hoyt	Yes	Instructional I Mid-Level Mathematics 6-9 (2860), Instructional I Elementary K-6 (2810)	6-8	Ancient History through Modern Times, Math Essentials, Pre-Algebra, Science Discoveries	1463	100	0
20	Stephanie Kennelly	Yes	Instructional I Health & Physical Educ K-12 (4805)	9-12	Applied Physical Education, First Aid and Emergency Care, Health, Intro to Anatomy and Physiology, Intro to Fitness, Off-Campus PE I & II	1388	100	0
21	Matthew Kinsch	Yes	Instructional II English 7-12 (3230), Instructional II Social Studies 7-12 (8875), Instructional II Mid-Level English 6-9 (2850), Instructional I Mid-Level Mathematics 6-9 (2860)	7-8	American History I, Language Arts II & III, World Cultures	1463	100	0
22	Galen Kreiser	Yes	Instructional II Mid-Level Mathematics 6-9 (2860), Instructional II Mid-Level Science 6-9 (2880), Instructional II Environmental Educ K-12 (4820), Instructional II Earth and Space Science 7-12 (8440), Instructional II General Science 7-12 (8450), HOUSSE Designation - Charters Only Chemistry 7-12 (8420)	9-12	Earth and Space Science, Intro to Forensic Science, Physical Science	1463	100	0
23	Meredith Leber	Yes	Instructional I English 7-12 (3230)	7-12	American Literature, Elements of Language, English Literature, Language Arts II & III	1463	100	0
24	Judy Lion	Yes	Instructional I English 7-12 (3230), Instructional I Family-Consumer Sci K-12 (5600), Program Specialist English as a Second Language (ESL) K-12 (4499)	8-12	English Composition, HS Family & Consumer Science, MS Family & Consumer Science, Parenting & Child Development, British	1463	100	0
25	Katherine MacLuckie	Yes	Instructional I Spanish K-12 (4490), Instructional I English 7-12 (3230), Instructional I Mid-Level Mathematics 6-9 (2860)	9-12	English Composition, Language Arts II	1463	100	0
26	Ann McCoy	Yes	Educational Specialist II Secondary School Counselor 7-12 (1837)	6-12	Guidance Counselor	1463	100	0
27	Heather Messenger	Yes	Educational Specialist II Secondary School Counselor 7-12 (1837)	6-12	Guidance Counselor	1463	100	0
28	Michael Meyer	Yes	Instructional II Mid-Level Mathematics 6-9 (2860), Instructional II Music PK-12 (7205)	6-12	Music Part I, II & III, Music Appreciation, History of Rock and Roll, Fundamentals of Music and Keyboarding	1463	100	0
29	Joseph Michener	Yes	Instructional I Bus-Computer-Info Tech K-12 (1603), Instructional I Social Studies 7-12 (8875)	9-12	Business Communications, Business Marketing, Economics, World	1463	100	0
30	Colleen Mullins	Yes	Instructional II Chemistry 7-12 (8420), Instructional II Biology 7-12 (8405), Instructional II Mid-Level Mathematics 6-9 (2860), Instructional II Family-Consumer Sci K-12 (5600), Instructional II Mid-Level Science 6-9 (2880)	6-8	Science Adventures, Pre-Algebra,	1463	100	0
31	Eileen Murphy	Yes	Instructional II English 7-12 (3230), Instructional II Mid-Level English 6-9 (2850), Instructional II Family-Consumer Sci K-12 (5600), Administrative I Principal K-12 (1115)	9-12	British & World Literature, Creative Writing, English Literature, Independent Study	1463	100	0
32	Carly Parker	Yes	Instructional II Family-Consumer Sci K-12 (5600), Instructional II Mid-Level English 6-9 (2850), HOUSSE Designation English 7-12 (3230), Instructional II Ment and/or Phys Handicapped K-12 (9235)	6-12	Special Education Resource	1463	100	0
33	Deborah Parvin	Yes	Instructional II Mid-Level Mathematics 6-9 (2860), Instructional II Social Studies 7-12 (8875), Instructional II Mid-Level Citiz. Ed 7-9 (2870), Instructional II Spanish K-12 (4490), Instructional II English 7-12 (3230), Program Specialist English as a Second Language (ESL) K-12 (4499)	8-12	ESL Support, Spanish I & II	1463	100	0

Staff No.	Name of employee (List all names in alphabetical order)	PA Certified Yes/No	Areas of Certification Type of Certificate	Grades Teaching or Serving	All Areas of Assignment Subject Areas Teaching or Services Provided	Number of Hours Worked in Assignmnt	Percentage of Time in Certified Position	Percentage of Time in Areas Not Certified
34	Brian Petters	Yes	Instructional II Health & Physical Educ PK-12 (4805), Instructional II Mid-Level Mathematics 6-9 (2860), Administrative I Principal PK-12 (1115), Instructional II Safety Ed/Driver Ed 7-12 (5215), Instructional II Family-Consumer Sci PK-12 (5600)	9-12	Health, Intro to Fitness, Intro to Anatomy and Physiology	1463	100	0
35	Erin Petters	Yes	Instructional I Special Education PK-12 (9225), Instructional I Elementary K-6 (2810), Instructional I English 7-12 (3230)	6-12	Supervisor of Special Education	1950	100	0
36	Terri Rapp	Yes	Instructional II Mathematics 7-12 (6800)	9-12	Algebra Concepts, Algebra II, Consumer Math	1463	100	0
37	Joseph Reinard	Yes	Instructional I Chemistry 7-12 (8420), Program Specialist English as a Second Language (ESL) K-12 (4499)	9-12	Chemistry, Physical Science, Forensic Science	1463	100	0
38	Kimberly Santucci	Yes	Instructional I Special Education N-12 (9225), Instructional I English 7-12 (3230)	9-12	British & World Literature,	1463	100	0
39	Nina Scott	Yes	Instructional I Special Education PK-12 (9225), Instructional I Elementary K-6 (2810)	6-12	Special Education Resource	1200	100	0
40	Emily Shank	Yes	Instructional II Mathematics 7-12 (6800)	8-12	Algebra I, Geometry, Keystone Algebra, MS Algebra	1463	100	0
41	Stephanie Shantz	Yes	Instructional I Mathematics 7-12 (6800)	9-12	Geometry, Intro to Accounting, Intro to Statistics	1463	100	0
42	Kera Sutsko	Yes	Instructional I Special Education PK-12 (9225), Instructional I Elementary K-6 (2810), Instructional I English 7-12 (3230), Instructional I Mid-Level English 6-9 (2850)	6-12	Special Education Resource	1313	100	0
43	Lauren Weidenmuller	Yes	Instructional I English 7-12 (3230), Instructional I Mid-Level Mathematics 6-9 (2860)	7-12	Language Arts II & III, English Literature, Elements of Drama and	1463	100	0
44	Michele Williams	Yes	Instructional II Mid-Level Citiz. Ed 6-9 (2870), Instructional II Special Education PK-12 (9225), Instructional II Social Studies 7-12 (8875), Instructional II Mid-Level Science 6-9 (2880), Instructional II Mid-Level English 6-9 (2850)	9-12	Study Skills, World Geography, World History	1463	100	0
45	John Wilson	Yes	Instructional II Physics 7-12 (8470), Instructional II Bus-Computer-Info Tech K-12 (1603), Instructional II Mathematics 7-12 (6800), Instructional II English 7-12 (3230), Program Specialist English as a Second Language (ESL) K-12 (4499)	9-12	Algebra Concepts, Algebra I, Careers 101, Senior Math Anchors, Intro to Accounting, Intro to Statistics, ESL Monitoring	1463	100	0
46	Mike Winterode	Yes	Instructional I Mid-Level Mathematics 6-9 (2860), Instructional I Special Education PK-12 (9225), Instructional I Social Studies 7-12 (8875)	6-12	Ancient History Through Modern Times, Economics, Philosophy,	1463	100	0
47	Mark Dickinson	Yes	Instructional I Social Studies 7-12 (8875)	6-8	World Cultures, American History I	705	100	0
48	Kimberly Murphy	Yes	Instructional I Elementary K-6 (2810), Instructional I Special Education PK-12 (9225), Instructional I Mid-Level Science 6-9 (2880), Instructional I Mid-Level Citiz. Ed 6-9 (2870), Instructional I Mid-Level Mathematics 6-9 (2860), Instructional I Mid-Level English 6-9 (285)	6-8	Special Ed Resource, Language Arts I, Ancient History Through Modern Times	570	100	0
49	Nicholas Casertano	Yes	Instructional II Health & Physical Educ K-12 (4805)	6-12	PE/Health I, II & III	653	100	0
50	Megan Tarr	No	N/A	6-12	School Nurse (BSN)	878	0	100
51	Mark Miller	Yes	Instructional I Biology 7-12 (8405), Instructional I General Science 7-12 (8450), Instructional I Health & Physical Educ K-12 (4805), Instructional I Mid-Level Mathematics 6-9 (2860)	6-8	Math Principles, Science Investigations	1328	100	0

Total Number of Administrators (do not include CEO) _____
Total Number of Teachers _____45_____ Counselors _____2_____ School Nurses _____1_____ Others _____
Total Number of Professional Staff _____51_____