PENNSYLVANIA CYBER CHARTER SCHOOL
MIDLAND, PENNSYLVANIA

FINANCIAL STATEMENTS
JUNE 30, 2013

DELUZIO & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

PENNSYLVANIA CYBER CHARTER SCHOOL

MIDLAND, PA

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DELUZIO & COMPANY, LLP

351 Harvey Avenue, Suite A
Greensburg, PA 15601-1911
724 838 8322
www.DeluzioCPA.com

Charles A. Deluzio, CPA
Jeffrey P. Anzovino, CPA, MSA
Joseph E. Petrillo, CPA
Stacey A. Sanders, CPA, CSEP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pennsylvania Cyber Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Pennsylvania 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 Pennsylvania Cyber Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Pennsylvania Cyber Charter School's 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.

Auditors' 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Pennsylvania Cyber Charter School, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

(Continued)

DELUZIO & COMPANY, LLP

INDEPENDENT AUDITORS' REPORT

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress presented on pages i through vii and 28, 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 provided any assurance on the information because limited procedures do not provide us with sufficient evidence to express and an opinion or provided any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pennsylvania Cyber Charter School's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2013, on our consideration of the Pennsylvania Cyber Charter School's internal control over financial reporting and 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 the 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 Pennsylvania Cyber Charter School's internal control over financial reporting and compliance.

Deluzio & Company, LLP

Greensburg, Pennsylvania
December 3, 2013

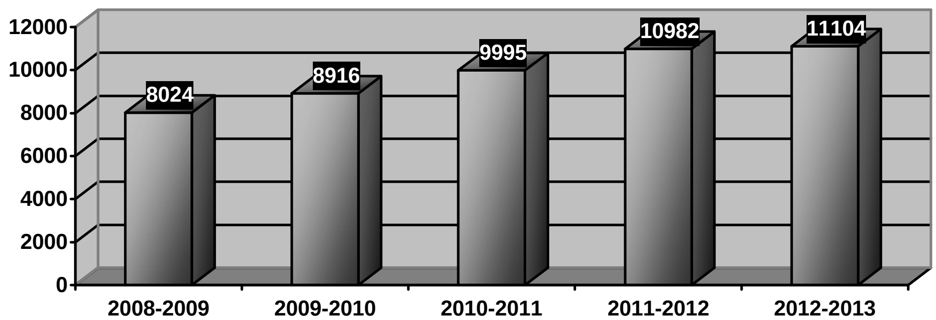
PENNSYLVANIA CYBER CHARTER SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Our discussion and analysis of the Pennsylvania Cyber Charter School's (The School) financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2013. Please review this information in conjunction with the School's financial statements that begin on page 3.

FINANCIAL HIGHLIGHTS

Bolstered by a reputation for providing Pennsylvania families with exceptional, student-centered service, the School continued to experience growth in enrollment during fiscal year 2012-2013.

Pennsylvania Cyber Charter School
Student Enrollment
Source: LEA May Enrollment Summaries



The School's total assets exceeded total liabilities as of June 30, 2013 by $68,786,059. As of June 30, 2013, the School reported an unassigned ending fund balance of $7,362,611 that may be used at the School's discretion. This amount equates to 6.78% of total General Fund Expenditures. The $7,362,611 balance represents a $3,813,217 or 107.43% increase from the June 30, 2012 balance of $3,549,394.

The School's governmental fund balance was $29,872,574 as of June 30, 2013 and consisted of the following:

Nonspendable – Prepaids and Deposits	$ 92,356
Committed:	
Increases in Healthcare Premiums	$ 3,096,294
Retirement (PSERS) Contributions	$10,740,965

These represent the segregation of a portion of the fund balance indicating that assets equal to the amount are set aside for future rate changes and are, therefore, not available for appropriations.

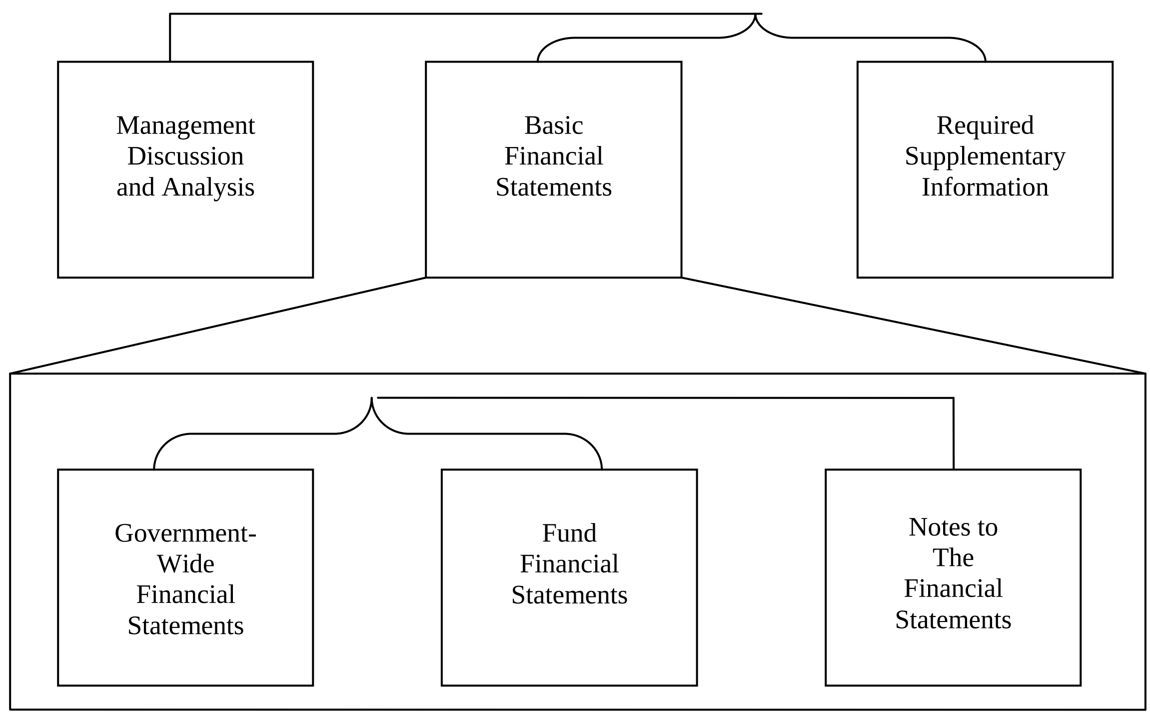
Assigned:	
Future Facilities Acquisition	$ 4,803,735
Future Legal Obligations	$ 890,901
Future OPEB Obligations	$ 382,069
Balancing the 2013-2014 General Fund Budget	$ 2,274,343
Future Board Approved Purchase Obligations	$ 229,300
Unassigned	$ 7,362,611

USING THE BASIC FINANCIAL STATEMENT REPORT

This Basic Financial Statement Report consists of the Management Discussion and Analysis and a series of financial statements and notes to those statements. The Statement of Net Position and Statement of Activities, on pages 3 and 4, provide information about the activities of the School as a whole and present a longer-term view of the School's financial position. Fund Financial Statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. There are two parts to the Fund financial Statements: 1) the governmental funds statement; and 2) the proprietary fund statement. Lastly, the financial statements include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another.

Figure A-1
Required Components of
Pennsylvania Cyber Charter School's
Financial Report



REPORTING THE SCHOOL AS A WHOLE

Statement of Net Position and the Statement of Activities

While this document contains the funds used by the School to provide programs and activities, the view of the School as a whole looks at all financial transactions and asks the question, "How did we do financially during Fiscal Year Ended June 30, 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Statement of Net Position and the Statement of Activities (Continued)

These two statements report the School's net position and changes in net position. This change in net position is important because it tells the reader, for the School as a whole, whether the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the current charter school laws in Pennsylvania concerning funding, availability of facilities, required educational programs, mandated services and other factors.

OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Statements

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

The two government-wide statements report the School's net position and how it has changed. Net position, the difference between the School's assets and liabilities, are one way to measure the School's financial health or position.

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

To assess the overall health of the School, you need to consider additional non-financial factors, such as changes in the School's enrollment (growth) and the academic achievement of the students.

In the Statement of Net Position and the Statement of Activities, the School shows the following kinds of activities:

- Governmental activities – Most of the School's basic services are included here, such as instruction, support services, operation and maintenance of plant, and administrative services. Tuition, state and federal subsidies and grants finance most of these activities.

REPORTING THE CHARTER SCHOOL'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial statements provide detailed information about the most significant funds—not the School as a whole. Some funds are required by state law.

Governmental funds – Most of the School's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the 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 reflected in a reconciliations on pages 6 and 8.

REPORTING THE CHARTER SCHOOL'S MOST SIGNIFICANT FUNDS (CONTINUED)

Fund Financial Statements (Continued)

Proprietary funds – The School maintains one proprietary fund. The *internal service fund* is an accounting device used to accumulate and allocate costs internally among the School's various functions. The School uses the internal service fund to account for its self funded health insurance. Because these services benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The School's total net position was $68,786,060 at June 30, 2013 and $57,368,187 at June 30, 2012.

Table A-1
Fiscal Years ended June 30, 2013 and June 30, 2012

	June 30, 2013	June 30, 2012
Current and other assets	$ 38,685,431	$ 24,890,904
Capital assets	30,015,368	32,892,292
Noncurrent assets	6,886,950	7,241,762
Total Assets	75,587,749	65,024,958
Current and other liabilities	5,804,055	7,656,771
Long-term liabilities	997,634	-
Total Liabilities	6,801,689	7,656,771
Net Position:		
Net investment in Capital Assets	30,015,368	32,892,292
Unrestricted	38,770,692	24,475,895
Total Net Position	$ 68,786,060	$ 57,368,187

The results of this year's operations as a whole are reported in the Statement of Activities on page 4. All operating expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are presented to determine the final amount of the School's activities that are supported by other general revenues. The largest general revenue is tuition charged to local educational agencies for enrolled students residing in those educational agencies.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

Table A-2 takes the information from the Statement of Activities, rearranges it slightly, so you can see total revenues for the year. Prior year information is also provided for a comparative analysis of government-wide data.

Table A-2
Changes in Net Position
Fiscal Years ended June 30, 2013, and 2012

Revenues	June 30, 2013	June 30, 2012
Program revenues:		
Operating grants and contributions	$ 6,237,629	$ 5,593,995
General Revenues:		
Payments from local educational agencies	113,404,383	109,448,196
Grants, subsidies, and contributions not restricted	2,267,129	-
Investment earnings	1,481	3,920
Miscellaneous income	70,074	461,767
Total revenues	121,980,696	115,507,878
Expenses		
Instruction	69,154,302	70,160,962
Support Services	35,065,503	34,289,856
Unallocated depreciation	6,136,938	5,243,628
Non-Instructional Services	206,080	308,930
Total exepnses	110,562,823	110,003,376
Increase in net position	11,417,873	5,504,502
Net Position, beginning	57,368,187	51,863,685
Net Position, ending	$ 68,786,060	$ 57,368,187

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

The tables below present the expenses of the Governmental Activities of the School.

Tables A-3 and A-4 show the School's four largest functions—instructional programs, support programs, non-instructional programs and unallocated depreciation as well as each program's net cost (total cost less revenues generated by the activities). These tables also show the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local and other miscellaneous revenues. Prior year information is again provided to allow for a comparative analysis.

Table A-3
Fiscal Year ended June 30, 2013
Governmental Activities

Function/Programs	Total Cost of Service	Net Cost of Services
Instruction	$ 69,154,302	$ 64,129,850
Support Services	35,065,503	33,874,905
Unallocated Depreciation	6,136,938	6,136,938
Non-Instructional Services	206,080	183,501
Total governmental activities	$ 110,562,823	$ 104,325,194
Total needs from local and other revenues		$ 104,325,194

Table A-4
Fiscal Year ended June 30, 2012
Governmental Activities

Function/Programs	Total Cost of Service	Net Cost of Services
Instruction	$ 70,160,962	$ 65,623,674
Support Services	34,289,856	33,251,588
Unallocated depreciation	5,243,628	5,243,628
Non-Instructional Services	308,930	290,491
Total governmental activities	$ 110,003,376	$ 104,409,381
Total needs from local and other revenues		$ 104,409,381

THE SCHOOL'S FUNDS

The General Fund, which accounts for the School's operations, had an unassigned fund balance of $7,362,611 as noted on page 5. This represents an increase of $3,813,217 from 2011-2012 operations.

General Fund Budgeting Highlights

The School's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The only budgeted fund is the General Operating Fund.

For the General Operating Fund, budgeted revenue and other financing sources were in the amount of $123,569,727. Actual revenues and other financing sources were slightly more than this budget amount by approximately $780,000. This was mainly due to greater than anticipated student enrollment and less than anticipated reductions to tuition rates. The expenditures were budgeted at $123,569,727. Actual expenditures were less than budgeted expenditures by approximately $14.9 million, due to reduced curriculum rates and the use of existing operational funds rather than commercial loans negating financing expenses, and to operating efficiencies. A schedule showing the School's original and final budget amounts compared with amounts actually paid and received is provided on page 12.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the School's Governmental Activities had $30,015,368 invested in a broad range of capital assets, including land, buildings and improvements, furniture and equipment. This amount represents a net decrease of $2,876,924 from last year. The decrease in capital assets is primarily due to depreciation exceeding additions.

More detailed information regarding the School's capital assets is included in the Notes to the Financial Statements.

ECONOMIC FACTORS AND BUDGETS

Though the cyber charter school concept is now widely-accepted as a viable and indeed necessary educational model, the issue concerning how cyber charter schools are funded will likely remain contentious in the foreseeable future. Nevertheless, the demand for the type and quality of services provided by the School continues to grow. The success of the School has created hundreds of new jobs in and around the community of Midland as more professional and support staff are needed to serve the growing roster of students. As a state-wide school, the School is also establishing a physical presence in key areas across Pennsylvania. Furthermore, the innovations – technological and educational – pioneered by the School are helping to establish Pennsylvania as a leader in the development of 21st century learning strategies for public education.

The rapid growth within the School puts additional burdens on the administration as each year requires increases to staff, educational programs, support services, and extracurricular activities to meet student needs and demand. Facilities must continually be updated and expanded to meet these enrollment trends. The need for additional staff working space is a continual concern.

CONTACTING THE SCHOOL FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the School's finances and to show the School Board of Directors accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Matthew Schulte, Senior Administrator, at Pennsylvania Cyber Charter School, 652 Midland Avenue, Midland, Pennsylvania 15059.

PENNSYLVANIA CYBER CHARTER SCHOOL
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

		Governmental Activities
ASSETS		
Current Assets		
Cash and Cash Equivalents		$ 18,586,917
Intergovernmental Receivables, net		19,681,956
Other Receivables		71,152
Current Portion of Note Receivable		340,000
Deposits		25
Prepaid Expenses		5,381
Total Current Assets		38,685,431
Noncurrent Assets		
Land		1,079,829
Building and Improvements	(net of depreciation)	17,606,716
Furniture and Equipment	(net of depreciation)	1,569,773
Computer Equipment	(net of depreciation)	9,759,050
Deposits		86,950
Note Receivable		6,800,000
Total Noncurrent Assets		36,902,318
TOTAL ASSETS		75,587,749
LIABILITIES		
Current Liabilities		
Intergovernmental Payables		964
Accounts Payable		3,534,555
Claims and Judgments Payable		275,336
Accrued Salaries & Benefits		523,524
Retirement Payable		910,532
Other Payables		2,200
Accrued Healthcare Costs		556,944
Total Current Liabilities		5,804,055
Noncurrent Liabilities		
Claims and Judgments Payable		615,565
Postemployment Benefits		382,069
Total Noncurrent Liabilities		997,634
Total Liabilities		6,801,689
NET POSITION		
Net Investment in Capital Assets		30,015,368
Unrestricted		38,770,692
TOTAL NET POSITION		$ 68,786,060

See Accompanying Notes to The Financial Statements.

PENNSYLVANIA CYBER CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction:					
Regular Instruction	$ 55,836,501	$ -	$ 3,353,662	$ -	$ (52,482,839)
Special Instruction	13,317,801	-	1,670,790	-	(11,647,011)
Vocational Instruction	-	-	-	-	-
Other Instructional Programs	-	-	-	-	-
Higher Education Programs	-	-	-	-	-
Total Instructional Services	69,154,302	-	5,024,452	-	(64,129,850)
Support Services:					
Pupil Personnel	6,844,394	-	382,768	-	(6,461,626)
Instructional Staff	1,087,092	-	350,549	-	(736,543)
Administration	5,660,728	-	173,698	-	(5,487,030)
Pupil Health	311,063	-	185,161	-	(125,902)
Business Services	17,865,012	-	40,814	-	(17,824,198)
Operation of Plant and Maintenance Services	2,028,969	-	-	-	(2,028,969)
Student Transportation Services	-	-	-	-	-
Support Services - Central	1,268,245	-	57,608	-	(1,210,637)
Total Support Services	35,065,503	-	1,190,598	-	(33,874,905)
Non-Instructional Services:					
Student Activities	109,452	-	-	-	(109,452)
Food Services	-	-	-	-	-
Community Services	23,418	-	22,579	-	(839)
Facilities	-	-	-	-	-
Interest on Long-Term Debt	52,670	-	-	-	(52,670)
Other Expense	20,540	-	-	-	(20,540)
Unallocated Depreciation Expense	6,136,938	-	-	-	(6,136,938)
Total Non-Instructional Services	6,343,018	-	22,579	-	(6,320,439)
Total Governmental Activities	$ 110,562,823	$ -	$ 6,237,629	$ -	(104,325,194)

General Revenues:	
Payments from Local Educational Agencies	113,404,383
Grants, Subsidies, & Contributions not Restricted	2,267,129
Investment Earnings	1,481
(Loss) on Disposal of Capital Assets	(8,754)
Miscellaneous Income	78,828
Total General Revenues	115,743,067
Change in Net Position	11,417,873
Net Position — Beginning	57,368,187
Net Position — Ending	$ 68,786,060

See Accompanying Notes to The Financial Statements.

PENNSYLVANIA CYBER CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2013

ASSETS		**General**
Cash and Cash Equivalents	$	15,036,581
Intergovernmental Receivables		19,681,956
Other Receivables		33,456
Deposits		86,975
Prepaid Expenses		5,381
TOTAL ASSETS	$	34,844,349
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Intergovernmental Payables	$	964
Accounts Payable		3,534,555
Accrued Salaries and Benefits		523,524
Retirement Payable		910,532
Other Payables		2,200
TOTAL LIABILITIES		4,971,775
FUND BALANCES		
Nonspendable - Prepaids and Deposits		92,356
Spendable		
Committed To:		
Future PSERS Retirement Rate Increases		10,740,965
Future Healthcare Cost Increases		3,096,294
Assigned To:		
Future Facilities Acquisition		4,803,735
Future Board Approved Purchase Obligations		229,300
Future OPEB Obligations		382,069
Future Legal Obligations		890,901
Future Budget Deficit		2,274,343
Unassigned		7,362,611
TOTAL FUND BALANCES		29,872,574
TOTAL LIABILITIES AND FUND BALANCES	$	34,844,349

See Accompanying Notes to The Financial Statements.

PENNSYLVANIA CYBER CHARTER SCHOOL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 29,872,574
Amounts reported for ***governmental activities*** in the statement of net position are different because:		
Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
	Cost of all capital assets	48,880,011
	Less Accumulated Depreciation	(18,864,643)
Note receivable is utilized in the governmental activities as a financial resource and is not reported as an asset in the governmental funds.		
	Current portion	340,000
	Long term portion	6,800,000
Certain liabilities are not due and payable in the current period and therefore are not reported in the government funds.		
	Other Post Employment Benefits	(382,069)
	Claims and Judgments Payable	(890,901)
The internal service fund is used by management to account for medical benefits of the School's employees. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		3,031,088
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$ 68,786,060

PENNSYLVANIA CYBER CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2013

	General
REVENUES	
Local Sources	$ 117,352,869
State Sources	2,542,145
Federal Sources	2,434,436
TOTAL REVENUES	122,329,450
EXPENDITURES	
Instruction	71,838,049
Support Services	34,609,161
Non-Instructional Services	132,870
Miscellaneous	20,540
Capital Outlay	7,804
Debt Service	2,052,670
TOTAL EXPENDITURES	108,661,094
Excess of Revenues Over Expenditures	13,668,356
OTHER FINANCING SOURCES	
Proceeds of Extended Term Financing	2,000,000
Sale of Fixed Assets	20,434
TOTAL OTHER FINANCING SOURCES	2,020,434
NET CHANGE IN FUND BALANCES	15,688,790
FUND BALANCE - JULY 1, 2012	14,183,784
FUND BALANCE - JUNE 30, 2013	$ 29,872,574

See Accompanying Notes to The Financial Statements.

PENNSYLVANIA CYBER CHARTER SCHOOL
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 15,688,790
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Add: Capital Outlays - Net	$ 3,289,202	
Less: Depreciation Expense	(6,136,938)	(2,847,736)
The portion of the Notes Receivable which was collected in the current year is treated as revenue on the fund statements, while, on the government-wide statements, it is treated as a reduction to Notes Receivable.		(340,000)
Certain items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Other Post Employment Benefits Expense		(95,650)
Claims and Judgments Payable		(890,901)
Loss on disposition of fixed assets.		(29,188)
The internal service fund is used by management to account for medical benefits of the School employees. The net (loss) of the activity of the internal service is reported with governmental activities.		(67,442)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 11,417,873

See Accompanying Notes to The Financial Statements.

PENNSYLVANIA CYBER CHARTER SCHOOL
STATEMENT OF NET POSITION
PROPRIETARY FUND
AS OF JUNE 30, 2013

		Governmental Activities - Internal Service Fund
		Health Insurance Fund
ASSETS		
Current Assets		
Cash and Cash Equivalents	$	3,550,337
Accounts Receivable		37,695
Total Current Assets		3,588,032
TOTAL ASSETS		3,588,032
LIABILITIES		
Current Liabilities		
Accrued Healthcare Costs		556,944
Total Current Liabilities		556,944
TOTAL LIABLITIES		556,944
NET POSITION		
Unrestricted		3,031,088
TOTAL NET POSITION	$	3,031,088

See Accompanying Notes to The Financial Statements.

PENNSYLVANIA CYBER CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Governmental Activities - Internal Service Fund Health Insurance Fund
OPERATING REVENUES	
Charges for Services	$ 5,604,017
Total Operating Revenues	5,604,017
OPERATING EXPENSES	
Cost of Services	4,960,241
Administrative	711,218
Total Operating Expenses	5,671,459
Operating Loss	(67,442)
OPERATING TRANSFERS	
Transfers from General Fund	-
Change in Net Position	(67,442)
NET POSITION - JULY 1, 2012	3,098,530
NET POSITION - JUNE 30, 2013	$ 3,031,088

See Accompanying Notes to The Financial Statements.

PENNSYLVANIA CYBER CHARTER SCHOOL
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

		Governmental Activities - Internal Service Fund
		Health Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Interfund Services Provided	$	5,604,017
Cash Payments to Suppliers, net		(5,586,686)
Net Cash Provided By Operating Activities		17,331
Net Increase in Cash and Cash Equivalents		17,331
Cash and Cash Equivalents - July 1, 2012		3,533,006
Cash and Cash Equivalents - June 30, 2013	$	3,550,337

Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities

Operating (Loss)	$	(67,442)
Change in operating assets and liabilities:		
Decrease in Accounts Receivable		628,298
Increase in Accrued Healthcare Costs		(543,525)
Net Cash Provided By Operating Activities	$	17,331

See Accompanying Notes to The Financial Statements.

PENNSYLVANIA CYBER CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive	Budget to GAAP	Actual Amounts
	Original	**Final**	**(Budgetary Basis)**	**(Negative)**	**Difference**	**GAAP basis**
REVENUES						
Local Revenues	$ 113,506,548	$ 113,506,548	$ 117,352,869	$ 3,846,321	$ -	$ 117,352,869
State Program Revenues	2,709,810	2,709,810	2,542,145	(167,665)	-	2,542,145
Federal Program Revenues	2,333,369	2,333,369	2,434,436	101,067	-	2,434,436
TOTAL REVENUES	118,549,727	118,549,727	122,329,450	3,779,723	-	122,329,450
EXPENDITURES						
Regular Programs	65,761,009	65,761,009	58,527,105	7,233,904	-	58,527,105
Special Programs	13,880,125	13,880,125	13,310,944	569,181	-	13,310,944
Vocational Programs	-	-	-	-	-	-
Other Instructional Programs	-	-	-	-	-	-
Adult Education Programs	-	-	-	-	-	-
Community/Junior College Ed Programs	-	-	-	-	-	-
Pupil Personnel Services	7,136,837	7,136,837	6,834,286	302,551	-	6,834,286
Instructional Staff Services	1,401,631	1,401,631	1,086,177	315,454	-	1,086,177
Administrative Services	3,544,164	3,544,164	4,766,257	(1,222,093)	-	4,766,257
Pupil Health	328,958	328,958	310,388	18,570	-	310,388
Business Services	18,292,609	18,292,609	17,863,832	428,777	-	17,863,832
Operation & Maintenance of Plant Services	4,328,653	4,328,653	2,195,477	2,133,176	-	2,195,477
Student Transportation Services	-	-	-	-	-	-
Central & Other Support Services	2,371,229	2,371,229	1,552,744	818,485	-	1,552,744
Food Services	-	-	-	-	-	-
Student Activities	124,553	124,553	109,452	15,101	-	109,452
Community Services	22,357	22,357	23,418	(1,061)	-	23,418
Scholarships and Awards	-	-	-	-	-	-
Facilities Acquisition and Construction	1,100,000	1,100,000	7,804	1,092,196	-	7,804
Miscellaneous	58,175	58,175	20,540	37,635	-	20,540
Debt Service	5,219,427	5,219,427	2,052,670	3,166,757	-	2,052,670
TOTAL EXPENDITURES	123,569,727	123,569,727	108,661,094	14,908,633	-	108,661,094
Excess (Deficiency) of Revenues Over Expenditures	(5,020,000)	(5,020,000)	13,668,356	18,688,356	-	13,668,356
OTHER FINANCING SOURCES (USES)						
Procceed from Extended Term Financing	5,000,000	5,000,000	2,000,000	(3,000,000)	-	2,000,000
Sale or Compensation for Loss of Fixed Assets	20,000	20,000	20,434	434	-	20,434
TOTAL OTHER FINANCING SOURCES (USES)	5,020,000	5,020,000	2,020,434	(2,999,566)	-	2,020,434
Net Change in Fund Balances	-	-	15,688,790	15,688,790	-	15,688,790
Fund Balance - July 1, 2012	12,319,936	12,319,936	14,183,784	1,863,848	-	14,183,784
Fund Balance - June 30, 2013	$ 12,319,936	$ 12,319,936	$ 29,872,574	$ 17,552,638	$ -	$ 29,872,574

See Accompanying Notes to The Financial Statements.

NOTE 1 - REPORTING ENTITY

The Pennsylvania Cyber Charter School (The School) was formed under the laws of the state of Pennsylvania to provide elementary and secondary education to students through a computer managed learning system designed to meet individual student's needs and styles.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School. For the School, this includes general operations and student related activities of the School.

Component units are legally separate organizations for which the School is financially accountable. The School is financially accountable for an organization if the School appoints a voting majority of the organization's governing board and (1) the School is able to significantly influence the programs or services performed or provided by the organization; or (2) the School is legally entitled to or can otherwise access the organization's resources; the School is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School in that the School approves the budget or the issuance of debt. The School does not have any component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the School are described below.

A. Basis of Presentation

The School's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

During the year, the School implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. A deferred outflow of resources is a consumption of net assets that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net assets that is applicable to a future reporting period. This standard also amends certain provisions of GASB Statement No. 34 and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

Government-wide financial statements – The statement of net position and the statement of activities display information about the School as a whole. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide financial statements (continued)

The statement of net position presents the financial condition of the governmental and business-type activities of the School at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental function is self-financing or draws from the general revenues of the School.

Fund financial statements – During the year, the School segregates transactions related to certain School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds, if any, are aggregated and presented in a single column. The fiduciary funds, if any, are reported by type.

Proprietary fund financial statements – The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The School reports the internal service fund as a proprietary fund. An internal service fund accounts for operations that provide services to other departments of the School on a cost reimbursement basis. The Health Insurance Fund accounts for the employees' self-insured medical and dental benefits. Because the principal users of the internal services are the School's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements.

B. Measurement Focus/Basis of Accounting

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

The School uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 180 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, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus/Basis of Accounting (continued)

The School reports the following major governmental fund:

General Fund—The General Fund is the operating fund of the School and is used to account for all financial resources except those required to be accounted for in another fund.

Additionally, the School reports the following proprietary fund type:

Internal Service Fund - accounts for risk management and health insurance costs provided to departments of the School.

C. Budgetary Process

The School passed an appropriated budget for the fiscal year ending June 30, 2013 with revenues totaling $123,569,727 and expenditures totaling $123,569,727.

The School is required by state law to adopt an annual budget for the General Fund. The budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles ("GAAP").

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. The School prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. The School adopts a proposed budget, after ten days' public notice of the meeting has been given.
3. Prior to July 1, the budget is legally enacted via resolution of the School.
4. The Budget for the general fund must be filed with the Office of Public Instruction within fifteen (15) days after the adoption of the budget.

Final Budget**:** The final budget for each year must be adopted (via Board vote) by June 30 of the preceding school fiscal year.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the School Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

D. Deposits and Investments

The School's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

E. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are offset against each other in the governmental and business-type activities columns of the statement of net position, except for amounts due to/from other funds which are not presented in the statement of net position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Buildings and Improvements	10-40 years
Furniture and Equipment	3-15 years
Computer Equipment	3 years

G. Compensated Absences

The School has no compensated absences as of June 30, 2013.

H. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Capital leases are recognized as a liability on the governmental fund financial statements when due.

I. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Fund Balance Classifications

The GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) effective for reporting periods beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the School's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the users of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and inventories.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

Restricted – Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed – Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority (Board of Directors). The board of directors may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the board of directors removes or changes the specific use through the same type of formal action taken to establish the commitment. The board's action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30th; however, the amount can be determined subsequent to the release of the financial statements.

Assigned – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The School Board has delegated the Board Treasurer the authority to assign fund balance for specific purposes.

Unassigned – Fund balance of the general fund that is not constrained for any particular purpose.

Prioritization of Fund Balance Use

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the organization to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the organization that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – CASH AND CASH EQUIVALENTS

Under Section 440.1 of the Public School Code for 1949, as amended, the School is permitted to invest funds consistent with sound business practices in the following types of investments:

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

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

The deposit and investment policy of the School adheres to state statutes and prudent business practices. Deposits of the governmental funds are either maintained in demand deposits or savings accounts, certificates of deposit, or cash equivalents. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School.

The following is a description of the School's deposit and investment risks:

Custodial Credit Risk – The risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a formal deposit policy for custodial credit risk. As of June 30, 2013, $18,829,176 of the School's bank balance of $19,090,879 was exposed to custodial credit risk, however this balance is collateralized in accordance with Act 72 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have a carrying amount of $18,586,917 as of June 30, 2013.

NOTE 4 – INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments represent receivables earned by the School. At June 30, 2013, the following amounts were receivable from other governmental units.

	Receivable
Governmental Units:	
State	$ 614,039
Federal - grant programs	690,485
Local Educational Agencies, net of allowance	18,377,432
Totals	$ 19,681,956

Allowance for Doubtful Accounts

Receivables are stated at the amount the School expects to collect. The School maintains allowances for doubtful accounts for estimated losses resulting from the inability of LEAs to make required payments. Based on management's assessment, the School provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. The allowance account was $278,518 as of June 30, 2013.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

A summary of fixed assets recorded as of June 30, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,079,829	$ -	$ -	$ 1,079,829
Capital assets, being depreciated:				
Buildings and Improvements	19,142,575	15,303	-	19,157,878
Furniture and Equipment	4,482,207	182,187	(46,184)	4,618,210
Computer Equipment	22,819,381	3,091,712	(1,886,999)	24,024,094
Total capital assets, being depreciated	46,444,163	3,289,202	(1,933,183)	47,800,182
Accumulated depreciation for:				
Buildings and Improvements	(1,123,207)	(427,955)	-	(1,551,162)
Furniture and Equipment	(2,663,458)	(417,932)	32,953	(3,048,437)
Computer Equipment	(10,845,035)	(5,291,051)	1,871,042	(14,265,044)
Total accumulated depreciation	(14,631,700)	(6,136,938)	1,903,995	(18,864,643)
Total capital assets, being depreciated, net:	31,812,463	(2,847,736)	(29,188)	28,935,539
Governmental activities capital assets, net:	$ 32,892,292	$ (2,847,736)	$ (29,188)	$ 30,015,368

Depreciation expense of $6,136,938 for the fiscal year ended June 30, 2013 was not allocated to the various functions because the property, plant and equipment serve all functions of the School.

NOTE 6 – NOTES RECEIVABLE

On June 30, 2009, the School and the Lincoln Park Performing Arts Center (LPPAC) agreed to cancel a prepaid lease originally signed in May 2005. Additionally, LPPAC signed a promissory note agreeing to repay the School the remaining balance of $8,500,000 over a period of twenty-four years through June 30, 2034. As of June 30, 2013, the balance of this note receivable is $7,140,000.

NOTE 7 – CREDIT LINE PAYABLE

The School had a credit line with a bank for short-term financing needs. The maximum borrowing amount of the credit line was $30,000,000 as of June 30, 2013, with interest being charged at 2.00% plus 30 day LIBOR. As of June 30, 2013 the interest rate on this line is 2.19228%. The credit line is secured by the accounts receivable of the School. During the fiscal year ended June 30, 2013, the School requested credit line advances totaling $10,000,000 and made payments on the credit line totaling $10,000,000.

As of June 30, 2013 there was no outstanding obligation on the credit line.

NOTE 8 - OPERATING LEASES - LESSEE

The School has ten operating leases for office space that expire at various dates through August 2018, with optional renewable terms. Rental expense for these leases totaled $1,270,010 for the year ended June 30, 2013.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2013, are:

Year Ending June 30, :	
2014	$ 1,266,401
2015	1,231,220
2016	1,021,133
2017	384,792
2018 and beyond	253,784
Total Minimum Payments Required	$ 4,157,330

NOTE 9 – COMMITMENTS

Management Agreement

On August 26, 2005 the School entered into a management agreement with the National Network of Digital Schools (NNDS). The management agreement was amended as of July 1, 2010 for a five year term and will automatically renew for successive one-year terms thereafter, unless terminated. Under the agreement, NNDS will provide the following services:

1. General business advice regarding operation and management of the School and its resources.
2. Negotiate agreements on behalf of the School to carry out and implement the purpose of the School.
3. Assist the School with accounting records and operational policies.
4. Provide assistance to the School with legal counsel and auditors as may be required.
5. Provide staff development and human resource services.
6. Marketing School services for the purpose of increasing enrollment.
7. Procurement, shipping and transportation service.
8. Provide physical plant and information technology services.

Fees per the contract are based on 12% of the School's gross revenue less investment income, gifts or endowment revenue. Total charges under the contract for the fiscal year ending June 30, 2013 were $14,634,768.

NOTE 9 – COMMITMENTS (continued)

Construction Loan

The School had a construction mortgage to provide for financing needs in relation to the construction of a new building. The maximum borrowing amount of the mortgage was $5,000,000. Interest was charged at a rate of 2.00% plus 30 day LIBOR. As of June 30, 2013 the interest rate on this loan was 2.19228%. During the fiscal year ended June 30, 2013, the School requested advances totaling $2,000,000 and made payments totaling $2,000,000. The mortgage was secured by the building located at 652 Midland Avenue, Midland PA 15059. As of June 30, 2013, the loan is closed and there is no outstanding obligation on the mortgage.

NOTE 10 – RETIREMENT PLANS/OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The School contributes to the Public School Employees' Retirement System (PSERS); a Governmental cost sharing multiple-employer defined benefit pension plan administered by the PSERS Board of Trustees under the authority of the Public School Employees' retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. 8101-8535). PSERS provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants. The PSERS issues a publicly available comprehensive annual financial report that may be obtained by writing to Office of Financial Management, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125. The publication is also available on the PSERS website at:

http://www.psers.state.pa.us/publications/general/cafr.htm

Funding Policy. Active members who joined the System prior to July 22, 1983, are required to contribute 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation. Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (Membership Class T-D) of the member's qualifying compensation. Members who joined the System on or after July 1, 2011 contribute at 7.50% (Membership Class T-E) with "shared risk" contribution levels that may fluctuate between 7.50% and 9.50% or at 10.3% (Membership Class T-F) with "shared risk" contribution levels that may fluctuate between 10.30% and 12.30%. The School is required to contribute at an actuarially determined rate. The rates applied to annual covered payroll were 12.36% at June 30, 2013 and 8.65% at June 30, 2012. The 12.36% at June 30, 2013 is composed of a pension contribution rate of 11.50% for pension benefits and 0.86% for healthcare insurance premium assistance. The School contributed 100% of the required contribution to PSERS for the five year trend as follows:

Year Ended June 30,	Amount of Employer Contribution	Contribution % of Covered Salaries
2013	$2,951,233	12.36%
2012	$2,173,334	8.65%
2011	$1,316,082	5.64%
2010	$914,803	4.78%
2009	$902,817	4.76%

NOTE 11 – FUND BALANCE REPORTING

The School has classified its fund balances within the following hierarchy:

Nonspendable
As of June 30, 2013, $92,356 of the School's fund balance is classified as nonspendable.

NOTE 11 – FUND BALANCE REPORTING (continued)

Spendable
The School has classified the spendable fund balances as Committed, Assigned and Unassigned and considered each to have been spent when expenditures are incurred. The School currently has no funds classified as Restricted.

Committed for PSERS – The Board has set aside certain spendable fund balance for the future, significant, scheduled increases in the PSERS employer contribution rate. At year end, the committed fund balance to cover PSERS rate increases is $10,740,965.

Committed for Health Care – The Board has set aside certain spendable fund balance to cover projected increases in health care costs. At year end, the committed fund balance to cover these projected rate increases is $3,096,294.

Assigned for Facilities Acquisitions – The Board Treasurer has set aside certain spendable fund balance for the future facilities acquisitions based on need due to the growth of the School. At year end, the assigned fund balance to cover facilities acquisitions is $4,803,735.

Assigned for Budget Balancing – The Board Treasurer has set aside certain spendable fund balance to cover projected expenditures in excess of revenues for the 2013/2014 school year. At year end, the assigned fund balance to cover the excess expenditures is $2,274,343.

Assigned for Purchase Obligations – The Board Treasurer has set aside certain spendable fund balance to cover purchases approved by the Board in 2012/2013 for purchases made in the 2013/2014 school year. At year end, the assigned fund balance to cover these purchase obligations is $229,300.

Assigned for Legal Obligations – The Board Treasurer has set aside certain spendable fund balance for the future, significant, legal obligations of the School. At year end, the assigned fund balance to cover the obligations is $890,901.

Assigned for OPEB Obligations – The Board Treasurer has set aside certain spendable fund balance for the future postemployment benefit obligations of the School. At year end, the assigned fund balance to cover the obligations is $382,069.

Unassigned – As of June 30, 2013, the unassigned fund balance for the General Fund is $7,362,611.

NOTE 12 - CONTINGENCIES

Litigation

The School is involved in various legal proceedings, claims and litigation arising for the ordinary course of business. Management intends to vigorously defend the asserted claims. While the outcome of these matters is currently not determinable, management does not expect the ultimate costs to resolve these matters will have a materially adverse effect on the School's financial position at June 30, 2013, beyond the aforementioned assignment of fund balance. Fund balance has been assigned for matters that have settled prior to the issuance of the financial statement.

	Beginning Balance	Increases	Decreases	Ending Balance
Claims and Judgments Payable	$ -	$ 890,901	$ -	$ 890,901

NOTE 12 – CONTINGENCIES (continued)

During 2012 several school districts filed a class action complaint, alleging that the School had received undue funds for the education of 4-year old kindergarten students. Subsequent to yearend the court issued an order granting class certification in the underlying state law case. The amount at issue is not yet clear, at this time an estimate of the loss, if any, cannot be made, however it could be material.

Grants

The School is potentially liable for any expenditure that may be disallowed pursuant to the terms of grant programs. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2013.

NOTE 13 – RISK MANAGEMENT

As of July 1, 2008, the School has elected to self-fund the health and drug benefit program for its employees. Under the program, the School employs a third party administrator and pays all medical claims through them. In addition, the School purchases individual and aggregate stop-loss insurance from a commercial carrier to protect it from catastrophic claims. Settled claims have not exceeded the aggregate stop-loss insurance coverage for the past year, but the School retains the risk for medical claims above this coverage.

Changes in the estimate of the claims liability are as follows:

Liability balance - June 30, 2012	$ 1,100,469
Incurred claims and estimates	4,416,716
Less:	
Claims paid during the period	(4,960,241)
Liability balance - June 30, 2013	$ 556,944

NOTE 14 – POST-RETIREMENT HEALTH INSURANCE BENEFITS

The School sponsors a single employer defined benefit “other post-employment benefit” (OPEB) plan. The benefits provided to retirees of the School include the option of continuing on the School’s health care plan available to the active employees at his/her own expense until the retiree reaches age 65. Under this plan, retirees who meet certain age and service requirements may elect coverage for themselves and their spouse until they reach age 65 or three years, whichever comes first. Should the retiree not be eligible for Medicare at the end of the three year period, the retiree may elect to stay on the School’s health care plan at his/her expense until the retiree reaches Medicare eligibility. The School currently pays an explicit subsidy equal to 100% of the blended (active and retired) premium, plus the implicit subsidy equal to the difference between the actual retiree cost and the blended rate.

Currently, these benefits are provided through the School’s self-funded health insurance plan (self-insurance). The School recognizes the cost of providing benefits by expensing the actual claims paid by the self-insurance on a pay-as-you-go basis. There are no plans at this time to fund the OPEB liability and therefore there are no plan assets.

NOTE 14 – POST-RETIREMENT HEALTH INSURANCE BENEFITS (continued)

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.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 the 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. The OPEB plan does not issue stand-alone financial reports. As allowed by GASB Statement 45, the School elected to report the OPEB plan liability on a prospective basis.

The annual OPEB cost was determined as part of the actuarial valuation. Additional information as of the last actuarial valuations follows:

Annual OPEB Cost and Net OPEB Obligation		
Annual Required Contribution	$	106,354
Interest on the Net OPEB Obligation		12,889
Adjustment on the ARC		(17,584)
Annual OPEB Costs	$	101,659
Less Contributions made		(6,009)
Increase in Net OPEB Obligation	$	95,650
Net OPEB obligation - beginning of year		286,419
Net OPEB obligation - end of year	$	382,069

Remaining Amortization Period:	30 Years	
Actuarial Assumptions:		
Investment rate of return	4.50%	
Inflation rate	None	
Health cost trend rates	Annual Increases in premium for retired medical prescription drug benefits are assumed to be as follows:	
	Year After Valuation	Increase
	1	5.00%
	2	5.00%
	3	5.00%
	4	5.00%
	5 or more	5.00%

NOTE 15 – SUBSEQUENT EVENTS

During July 2013, the School renewed its $30,000,000 line of credit. Bank advances on the credit line are payable on demand and carry an interest rate of 2.00% plus 30 day LIBOR. The credit line is secured by the accounts receivable of the School.

PENNSYLVANIA CYBER CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFIT
JUNE 30, 2013

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Information in this schedule about funded status and funding progress is presented using the entry age actuarial cost method for that purpose. This information is intended to serve as a surrogate for the funding progress of the plan. The School has presented information from the first three valuations, which were first required by Governmental Accounting Standards Board (GASB) Statement # 45. This information is presented prospectively. In subsequent years, the School will add to the schedule until six years of information has been met.

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2008	$ -	$ 270,651	$ 270,651	0%	$ 17,868,250	1.51%
7/1/2010	$ -	$ 531,596	$ 531,596	0%	$ 23,733,290	2.24%
7/1/2012	$ -	$ 587,308	$ 587,308	0%	$ 24,224,459	2.42%

See Independent Auditors' Report.

Pennsylvania Cyber Charter School

List of Audit Report Distribution

1 Copy	Office of the Budget/Bureau of Affairs Special Audit Services Division Forum Place - Eighth Floor 555 Walnut Street Harrisburg, PA 17101 **(electronic submission only)**
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1 Copy	Beaver Valley Intermediate Unit 147 Poplar Drive Monaca, PA 15061

PENNSYLVANIA CYBER CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period From-To	Program or Award Amount	Total Received For Year	Accrued (Deferred) Revenue July 1, 2012	Revenue Recognized	Expenditures		Accrued (Deferred) Revenue June 30, 2013
U.S. Department of Education											
Passed through the PA Department of Education:											
Title I Improving Basic Programs	I	84.010	013-120996	07/01/12-09/30/13	$ 2,257,827	$ 2,257,827	$ -	$ 2,257,827	$ 2,257,827		$ -
Title II	I	84.367	020-120996	07/01/12-09/30/13	96,707	97,671	-	96,707	96,707		(964)
Total PA Department of Education							-	2,354,534	2,354,534		(964)
Department of Public Welfare											
Title XIX - Medical Access	I	93.778		10/01/12-12/31/12	$ 673	$ 673	-	673	673		-
Title XIX - Medical Access	I	93.778		01/01/13-03/31/13	681	-	-	681	681		681
Total PA Department of Public Welfare							-	1,354	1,354		681
Passed through the Beaver Valley Intermediate Unit:											
IDEA 619 B Pass Through	I	84.173	27	07/01/12-06/30/13	$ 6,482	$ -	-	6,482	6,482	*	6,482
IDEA - ESY	I	84.027	27	07/01/12-06/30/13	207	207	-	207	207	*	-
IDEA	I	84.027	27	07/01/12-06/30/13	1,251,659	1,251,659	-	1,251,659	1,251,659	*	-
Total Intermediate Unit							-	1,258,348	1,258,348		6,482
Total Federal Assistance							$ -	$ 3,614,236	$ 3,614,236		$ 6,199

Source Codes:
I=Indirect Funding
F=Federal Share
S=State Share

Footnotes:
* Selected for testing

Percentage test rule calculation:

Total Expenditures per above				$ 3,614,236
Total Federal Expenditures Tested	=	$ 1,258,348	=	35%

See Independent Auditors' Report and the Accompanying Notes to the Schedule of Expenditures of Federal Awards.

PENNSYLVANIA CYBER CHARTER SCHOOL
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Pennsylvania Cyber Charter School (The School) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements on OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – BUDGETARY DATA

The School passed, and had approved by the appropriate agency, budgets for the fiscal year ending June 30, 2013 for all federal programs.

NOTE 3 – RECONCILIATION

Federal Awards per Schedule of Expenditures of Federal Awards	$ 3,614,236
Medical Access funds	78,548
Pass-through awards recorded in Local revenue	(1,258,348)
Per financial statement	$ 2,434,436

DELUZIO & COMPANY, LLP

351 Harvey Avenue, Suite A
Greensburg, PA 15601-1911
724 838 8322
www.DeluzioCPA.com

Charles A. Deluzio, CPA
Jeffrey P. Anzovino, CPA, MSA
Joseph E. Petrillo, CPA
Stacey A. Sanders, CPA, CSEP

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*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pennsylvania Cyber Charter School

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, the business-type activities, each major fund, and the aggregate remaining fund information of Pennsylvania Cyber Charter School as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Pennsylvania Cyber Charter School's basic financial statements, and have issued our report thereon dated December 3, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pennsylvania 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 Pennsylvania Cyber Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Pennsylvania 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pennsylvania 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.*

(Continued)

DELUZIO & COMPANY, LLP

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*

INDEPENDENT AUDITORS' REPORT

(Continued)

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.

Deluzio & Company, LLP

Greensburg, Pennsylvania
December 3, 2013

DELUZIO & COMPANY, LLP

351 Harvey Avenue, Suite A
Greensburg, PA 15601-1911
724 838 8322
www.DeluzioCPA.com

Charles A. Deluzio, CPA
Jeffrey P. Anzovino, CPA, MSA
Joseph E. Petrillo, CPA
Stacey A. Sanders, CPA, CSEP

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pennsylvania Cyber Charter School

Report on Compliance for Each Major Federal Program

We have audited Pennsylvania Cyber Charter School's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Pennsylvania Cyber Charter School's major federal programs for the year ended June 30, 2013. The Pennsylvania Cyber Charter School's major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pennsylvania Cyber Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pennsylvania Cyber Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pennsylvania Cyber Charter School's compliance.

Unmodified Opinion on Each Major Federal Program

In our opinion, Pennsylvania Cyber Charter School complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

(Continued)

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

INDEPENDENT AUDITORS' REPORT

(Continued)

Report on Internal Control over Compliance

Management of Pennsylvania Cyber Charter School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pennsylvania Cyber Charter School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pennsylvania Cyber Charter School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Deluzio & Company, LLP

Greensburg, Pennsylvania
December 3, 2013

PENNSYLVANIA CYBER CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	__ Yes X No
Significant deficiencies identified not considered to be material weaknesses?	__ Yes X None reported
Noncompliance material to financial statements noted?	__ Yes X No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	__ Yes X No
Significant deficiencies identified not considered to be material weaknesses?	__ Yes X None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	__ Yes X No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Numbers
IDEA – Special Education Cluster	84.173 & 84.027

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	X Yes __ No

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the consolidated financial statements that are required to be reported in accordance with *Government Auditing Standards*.

None

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings to be reported by Section 510(a) of Circular A-133 (e.g. report significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs).

None

PENNSYLVANIA CYBER CHARTER SCHOOL
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

Prior Year Findings

This section identifies the audit findings that were reported in the prior year by Section 510(a) of Circular A-133 (e.g. report significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs).

None