



INSIGHT PA CYBER CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2018

INSIGHT PA CYBER CHARTER SCHOOL
JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

November 14, 2018

To the Board of Trustees
Insight PA Cyber Charter School
Exton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Insight PA Cyber Charter School ("the School"), Exton, Pennsylvania, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 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 an opinion 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.

To the Board of Trustees
Insight PA Cyber Charter School

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Insight PA Cyber Charter School as of June 30, 2018, and the respective changes in its financial position 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2018, on our consideration of the 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 School's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP



Management's Discussion and Analysis | For the Year Ended June 30, 2018 – Unaudited

The Board of Trustees of the Insight PA Cyber Charter School ("the School") offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

Financial Highlights

The 2017-2018 school year was the first year of operations for the School. All increases and decreases are fundamentally from zero. For the year ended June 30, 2018, the School's net position increased \$767,524 from the prior year. Revenues totaling \$10,865,359 increased by \$10,865,359 from the prior year primarily due to increases in tuition charges of \$10,838,523. Expenses for the same period totaled \$10,097,835 and increased \$10,097,835 from the prior year primarily due to an increase in instructional services of \$5,521,144 and an increase in support services of \$4,576,691. The first year of operations for the School was 2018.

As of June 30, 2018, the general fund reported fund balance of \$309,943, which is an increase of \$309,738 from the prior year.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements as presented comprise three components: management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances in a manner similar to a private-sector business.

The statement of net position presents information on all the School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the components (assets and deferred outflows less liabilities and deferred inflows) reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements report on the functions of the School, which are principally supported by subsidies from school districts whose constituents attend the School.



Management's Discussion and Analysis | For the Year Ended June 30, 2018 – Unaudited (cont'd)

In the statement of net position and the statement of activities, the School is comprised of the following activities:

Governmental Activities – All of the School's basic services are reported here.

Fund Financial Statements

A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The School, like government-type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School's three kinds of funds, governmental, proprietary, and fiduciary, use different accounting approaches. The School currently has no proprietary or fiduciary funds.

All the School's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds 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. Such information is useful in assessing the School's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The schedules of School contributions are presented for purposes of additional analysis.

Government-wide Financial Analysis

Management follows Governmental Accounting Standards Board ("GASB") *Codification of Accounting and Financial Reporting Standards* ("the Codification"), which requires a comparative analysis of current and prior periods within management's discussion and analysis.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities exceeded assets and deferred outflows by \$767,729 at June 30, 2018, an increase of \$767,524 from June 30, 2017. The following table is a comparative analysis of fiscal year 2018 to 2017:



Management's Discussion and Analysis | For the Year Ended June 30, 2018 – Unaudited (cont'd)

STATEMENTS OF NET POSITION

	Governmental Activities	
	2018	2017
Current and noncurrent assets	\$ 3,605,048	\$ 205
Capital assets	87,653	-
Total Assets	<u>3,692,701</u>	<u>205</u>
Deferred outflows of resources	<u>370,133</u>	-
Total Assets and Deferred Outflows of Resources	<u>\$ 4,062,834</u>	<u>\$ 205</u>
Current liabilities	\$ 3,295,105	-
Total Liabilities	<u>3,295,105</u>	<u>-</u>
Net Position:		
Investment in capital assets	87,653	-
Unrestricted	<u>680,076</u>	<u>205</u>
Total Net Position	<u>767,729</u>	<u>205</u>
Total Liabilities and Net Position	<u>\$ 4,062,834</u>	<u>\$ 205</u>

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The School's revenues are predominately local school district funds based on student enrollment. For the year ended June 30, 2018, the School's total revenues of \$10,865,359 exceeded expenditures of \$10,097,835 by \$767,524.

STATEMENTS OF CHANGES IN NET POSITION

	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	\$ 10,838,523	\$ -
Operating grants	<u>26,836</u>	<u>-</u>
Total Program Revenues	<u>10,865,359</u>	<u>-</u>
Total Revenues	<u>10,865,359</u>	<u>-</u>
Expenses		
Instruction	5,521,144	-
Support services	<u>4,576,691</u>	<u>-</u>
Total Expenses	<u>10,097,835</u>	<u>-</u>
Change in Net Position	<u>\$ 767,524</u>	<u>\$ -</u>



Management's Discussion and Analysis | For the Year Ended June 30, 2018 – Unaudited (cont'd)

Governmental Funds

The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and the balance of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending program purposes at fiscal year-end.

The School's General Fund reported an ending fund balance of \$309,943, an increase of \$309,738 from the prior year.

Budget Variations

The School's budget is prepared in accordance with Pennsylvania law and is based on the modified accrual basis of accounting. The School may amend its revenue and expenditure estimates periodically due to changing conditions. Actual revenues came in below budgeted revenues due mainly to less revenue from school districts than anticipated.

Actual expenditures came in less than budgeted due mainly to savings realized in salaries and benefits associated with teachers as well as decreased supplies and support expenditures as a result of fewer students than anticipated.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2018, the School's investment in capital assets, net of accumulated depreciation totaled \$87,653. Capital assets include buildings, site improvements, books, and furniture and equipment. Additional information on the School's capital assets can be found in Note 4 of this report.

Major capital asset purchases during fiscal year ended June 30, 2018 consisted of site improvements and furniture and equipment totaling \$98,252.

Long-term Debt

The School has no long-term debt as of June 30, 2018.

Economic Factors and Next Year's Budgets and Rates

The fiscal and operational stability of our Commonwealth's charter schools is directly linked to the State of Pennsylvania's Budget and shifting political realities. This issue manifests itself most clearly in the way that the state determines each charter school's per-pupil allotment, which is calculated by the student's school district of residence and Form PDE-363. Form PDE 363 uses a "state-determined" formula, which calculates per pupil allotments, based on school district expenditures minus a list of "permitted deductions." These deductions currently leave Pennsylvania's charter schools with an estimated average 75 percent of the funding available to our state's traditional public schools. Further



Management's Discussion and Analysis | For the Year Ended June 30, 2018 – Unaudited (cont'd)

manipulation of the mechanism through which the state funds charter schools could necessitate charter school program reductions, hinder program maintenance, and/or prohibit the program development required meet to the Commonwealth's increasingly high expectations for student learning.

Though the charter school concept is widely recognized as a viable and indeed necessary educational model, the issue concerning how charter schools are funded will likely remain controversial in the foreseeable future. In Pennsylvania, very well-funded special interest groups have lobbied persistently to progressively deplete funding to charter schools. Nevertheless, the demand for this educational choice and the quality of services provided by charter schools continues to improve.

However, there will eventually be a "breaking point" for Pennsylvania's charter school movement. Fortunately, there are many passionate and deeply committed individuals in our movement actively reaching out to the General Assembly to communicate funding facts as well as charter school student accomplishments.

Future Events that will Financially Impact the School

The School is in growth mode and will continue to be for at least three to four more years; with projections demonstrating growth to approximately 6,000 students during that time. With enrollment growth comes increasing revenue, increasing expenses, and economies of scale that will allow the new revenue to out-pace the expenses.

The School converted from the Public School Employees' Retirement System ("PSERS") to a 403(b) plan for all new employees hired on or after July 1, 2018. This retirement benefit conversion is on track to save over \$400,000 in just the first year (2018-2019) of implementation and continued savings as the school increases the number of employees during the growth period referenced above, as all the new employees will participate in the 403(b).

The School was issued an initial Charter by the Pennsylvania Department of Education ("PDE") for three years; it expires June 30, 2020. The School plans on submitting a Charter Renewal Application during the early months of the 2019-2020 school year. It is important to note that the PDE has been "sitting on" cyber charter renewals. That is, they accept the renewal request, allow the school to continue to operate, but do not issue a formal charter renewal. This lacking process has been brought to the attention of Pennsylvania state legislators, the Charter School Office of PDE, and the state advocacy group for Pennsylvania charter schools (PCPCS).

Contracting the School's Financial Management

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to the CFO, Insight PA Cyber Charter School, 350 Eagleview Boulevard, Exton, PA 19341.

Produced by:
Beth Jones, CFO
Eileen Cannistraci, CEO
October 18, 2018

**INSIGHT PA CYBER CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 2,698,902
Due from other governments	858,478
Other receivables	19,983
Prepaid expenses	27,685
	3,605,048
NONCURRENT ASSETS:	
Capital assets, net of accumulated depreciation	87,653
	87,653
TOTAL ASSETS	3,692,701
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred pension contributions	360,701
Deferred OPEB contributions	9,432
TOTAL DEFERRED OUTFLOWS OF RESOURCES	370,133
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,062,834
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES:	
Accounts payable	\$ 2,398,277
Accrued salaries and benefits	34,726
Accrued expenses	716,910
Lease incentives	95,718
Deferred revenue	49,474
TOTAL CURRENT LIABILITIES	3,295,105
TOTAL LIABILITIES	3,295,105
NET POSITION:	
Investment in capital assets	87,653
Unrestricted	680,076
TOTAL NET POSITION	767,729
TOTAL LIABILITIES AND NET POSITION	\$ 4,062,834

The accompanying notes are an integral part of these financial statements.

**INSIGHT PA CYBER CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 5,521,144	\$ 10,838,523	\$ 26,836	\$ 5,344,215
Support services	4,576,691	-	-	(4,576,691)
TOTAL GOVERNMENTAL ACTIVITIES	10,097,835	10,838,523	26,836	767,524
 TOTAL PRIMARY GOVERNMENT	 \$ 10,097,835	 \$ 10,838,523	 \$ 26,836	 767,524
				767,524
				205
				\$ 767,729

The accompanying notes are an integral part of these financial statements.

**INSIGHT PA CYBER CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2018**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,698,902
Due from other governments	858,478
Other receivables	19,983
Prepaid expenditures	<u>27,685</u>
TOTAL ASSETS	<u><u>\$ 3,605,048</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES:	
Accounts payable	\$ 2,398,277
Accrued salaries and benefits	34,726
Accrued expenses	716,910
Unearned revenue	<u>49,474</u>
TOTAL LIABILITIES	<u>3,199,387</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - lease incentive	<u>95,718</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>95,718</u>
FUND BALANCE:	
Nonspendable	27,685
Unassigned	<u>282,258</u>
TOTAL FUND BALANCE	<u>309,943</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u><u>\$ 3,605,048</u></u>

The accompanying notes are an integral part of these financial statements.

**INSIGHT PA CYBER CHARTER SCHOOL
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUND TO
STATEMENT OF NET POSITION
JUNE 30, 2018**

TOTAL GOVERNMENTAL FUND BALANCE	\$	309,943
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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 in the funds.		87,653
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Deferred inflows and outflows of resources related to the School's pension and OPEB plans do not represent current resources or uses of resources and, therefore, are not reported in the funds. Deferred inflows and outflows of resources consist of the following:

Deferred outflows - pension contributions	\$	360,701	
Deferred outflows - OPEB contributions		<u>9,432</u>	
			<u>370,133</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>767,729</u></u>
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The accompanying notes are an integral part of these financial statements.

**INSIGHT PA CYBER CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND**

	General Fund
REVENUES	
Local sources	\$ 10,838,523
Federal sources	26,836
TOTAL REVENUES	10,865,359
 EXPENDITURES	
Current:	
Instruction	5,820,330
Support services	4,637,039
Capital outlays	98,252
TOTAL EXPENDITURES	10,555,621
 EXCESS OF REVENUES OVER EXPENDITURES	309,738
 FUND BALANCE, BEGINNING OF YEAR	205
 FUND BALANCE, END OF YEAR	\$ 309,943

The accompanying notes are an integral part of these financial statements.

**INSIGHT PA CYBER CHARTER SCHOOL
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ 309,738

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

Governmental fund reports 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. This is the effect of these differences:

Capital outlays	\$ 98,252	
Depreciation	<u>(10,599)</u>	87,653

Pension and OPEB expenses in the statement of activities differ from the amount reported in the governmental fund because pension and OPEB expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing pension and OPEB plans, whereas pension and OPEB expenditures are recognized in the governmental fund when a requirement to remit contributions to the plans exists.

370,133

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 767,524

The accompanying notes are an integral part of these financial statements.

**INSIGHT PA CYBER CHARTER SCHOOL
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Appropriated Budget	Final Appropriated Budget	Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	\$16,882,226	\$15,087,536	\$10,838,523	\$ (4,249,013)
Federal sources	-	-	26,836	26,836
TOTAL REVENUES	16,882,226	15,087,536	10,865,359	(4,222,177)
EXPENDITURES				
Instruction:				
Regular programs	7,818,828	6,687,150	5,328,745	1,358,405
Special programs	1,516,893	1,201,333	491,585	709,748
Total Instruction	9,335,721	7,888,483	5,820,330	2,068,153
Support services:				
Pupil personnel services	1,407,052	1,109,333	698,177	411,156
Instructional staff services	703,856	688,838	551,084	137,754
Administrative services	2,191,576	2,188,771	2,062,947	125,824
Pupil health	55,803	50,731	33,535	17,196
Business services	243,000	250,000	192,934	57,066
Operation and maintenance of plant services	450,473	377,462	372,078	5,384
Central services	936,968	881,704	726,284	155,420
Total Support Services	5,988,728	5,546,839	4,637,039	754,380
Operation of noninstructional activities:				
Student activities	22,210	22,210	-	22,210
Capital outlays	-	-	98,252	(98,252)
TOTAL EXPENDITURES	15,346,659	13,457,532	10,555,621	2,746,491
EXCESS OF REVENUES OVER EXPENDITURES	1,535,567	1,630,004	309,738	(1,320,266)
NET CHANGE IN FUND BALANCE	1,535,567	1,630,004	309,738	(1,320,266)
FUND BALANCE, BEGINNING OF YEAR	-	-	205	205
FUND BALANCE, END OF YEAR	\$ 1,535,567	\$ 1,630,004	\$ 309,943	\$ (1,320,061)

The accompanying notes are an integral part of these financial statements.

INSIGHT PA CYBER CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Insight PA Cyber Charter School ("the School") have been prepared in conformity with generally accepted accounting principles as applied to local governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School are described below.

Reporting Entity

The School is a charter school located in Exton, Pennsylvania. The School was established and operates under the provisions enacted by the General Assembly of the Commonwealth of Pennsylvania in 1997 and is operating under a charter agreement expiring June 30, 2020.

Entity-wide and Fund Financial Statements

The entity-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Entity-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. Charges to the School are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

INSIGHT PA CYBER CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Charges to the School, state appropriations, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the School receives cash.

The School reports the following major governmental fund:

- **General Fund.** The general fund is the School's primary operating fund. It accounts for all financial resources of the School.

Amounts reported as program revenues include 1) charges for students for services provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues.

Receivables

All receivables are considered fully collectible by management. No allowance for bad debts is deemed necessary.

Prepaid Expenses/Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both entity-wide and fund financial statements.

Capital Assets

Capital assets, including land, land improvements, buildings and improvements, equipment, and vehicles, are reported in the statement of net position. Capital assets are defined by the School as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets may be purchased or constructed and are recorded at cost or estimated historical cost. Estimated historical costs are based either on similar assets of the same era or on deflated current values. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets of the School are depreciated using the straight-line method over the estimated useful lives of the related assets. Unless an asset's life has been adjusted based on actual experience, the School generally uses the following estimated useful lives:

Leasehold improvements	20 - 80 years
Furniture and equipment	3 - 7 years

INSIGHT PA CYBER CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position includes 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 future periods and so will not be recognized as an outflow of resources (expense) until then. The School reports deferred pension and OPEB contributions resulting from pension and OPEB contributions to cost-sharing multi-employer plans subsequent to the measurement date of the net pension and OPEB liabilities and certain other items which represent differences related to changes in the net pension and OPEB liabilities which will be amortized over future periods. In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents a source of net position that applies to future periods. Lease incentives are recognized as deferred inflows of resources until utilized to offset lease expenditures.

Net Position

Net position represents the difference between assets and liabilities. Investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its 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. Unrestricted net position consists of net position that does not meet the definition of "restricted" or "investment in capital assets."

Fund Balance

The School follows the provisions of the *GASB Codification of Accounting and Financial Reporting Standards* ("the Codification") relating to fund balance. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds.

Fund balances of the governmental funds are classified, if applicable, as follows:

Nonspendable – amounts that would be associated with inventory, prepaids, long-term receivables, property held for sale, and the corpus of a permanent fund. In essence, nonspendable is the fund balance term to indicate that the respective resources are not available to be spent in any way due to their very nature and/or their lack of availability.

INSIGHT PA CYBER CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Restricted – carries the same definition as set forth relative to net assets. This would include any fund balance that is restricted in its use by: a) external parties; b) constitutional provisions; or c) enabling legislation (i.e. debt service funds).

Committed – amounts for which the governing members of the Board of Trustees impose constraints on how funds may or may not be used. In such a case, the only way a constraint can be removed or changed is by the same type of action of the Board of Trustees.

Assigned – amounts intended to be used for specific purposes with the intent being expressed by the Board of Trustees or the Chief Financial Officer as authorized by the Board of Trustees. With the exception of the general fund, amounts in all other governmental funds that are not nonspendable, restricted, or committed will be assigned.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Board of Trustees or Chief Financial Officer has provided otherwise in its commitment or assignment actions.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the general fund.

The budgetary comparison schedule should present both the original and the final appropriated budgets for the reporting period. The School has only a general fund budget; therefore, the original budget filed and accepted by the Pennsylvania Department of Education is the final budget as well. Appropriations lapse at the end of the fiscal year.

Income Tax Status

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The School qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The School did not engage in any unrelated business activities during the fiscal year.

Management believes it is more likely than not that its tax-exempt status and tax positions will be sustained if examined by authorities.

INSIGHT PA CYBER CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Use of Estimates in the Preparation of Financial Statements

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. The School maintains accounts at an institution which is insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At June 30, 2018, the carrying amount of the School's deposits totaled \$2,698,902, and the bank balance was \$2,733,524. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$2,483,524 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the School's name. However, the exposed deposits were collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania.

NOTE 3 DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2018 consisted of the following:

Due from school districts and Pennsylvania Department of Education	<u>\$ 858,478</u>
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NOTE 4 PROPERTY AND EQUIPMENT

A summary of changes in property and equipment is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Leasehold improvements	\$ -	\$ 8,557	\$ -	\$ 8,557
Furniture and equipment	-	89,695	-	89,695
Accumulated depreciation	-	(10,599)	-	(10,599)
Total Property and Equipment, Net	<u>\$ -</u>	<u>\$ 87,653</u>	<u>\$ -</u>	<u>\$ 87,653</u>

INSIGHT PA CYBER CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 DUE TO K-12, INC.

In June 2014, the School entered into an agreement with K-12, Inc. to provide management services, online curricula, instructional tools, materials, and other products through June 2020. Under this agreement, the School has purchased online curricula, instructional tools, materials, and other products totaling \$6,958,454 for the year ended June 30, 2018.

K-12, Inc. is not a division or any part of the School. The School is a body corporate authorized under Pennsylvania Charter School Law and is not a division or a part of K-12, Inc. The relationship between the parties was developed and entered into through arms-length negotiations and is based solely on the terms of this agreement and those of any other agreements that may exist from time to time between the parties.

The line item "accounts payable" shown on the statement of net position represents amounts payable and due to K-12, Inc. for curriculum materials. The amount due as of June 30, 2018 was \$2,398,277.

NOTE 6 OPERATING LEASES

The School leases office space in Exton, Pennsylvania, along with copier leases. The lease terms range from one to five years, and rental payments increase annually. Lease expense for the year ended June 30, 2018 was \$263,183.

The following is a schedule of minimum future rental payments under non-cancelable operating leasing arrangements having remaining terms in excess of one year as of June 30, 2018:

For the Year Ending June 30,

2019	\$	322,578
2020		325,535
2021		332,535
2022		339,966
2023		58,830
		<u>58,830</u>
	\$	<u>1,379,444</u>

NOTE 7 PENSION PLAN

Plan Description

The School contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan that provides

INSIGHT PA CYBER CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the system include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available comprehensive annual financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members in Membership Class T-C and Membership Class T-D are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service, (b) age 60 with 30 or more years of credited service, or (c) 35 or more years of service regardless of age. Act 120 of 2010 ("Act 120") preserves the benefits of existing members and introduced benefit reductions for individuals who became new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E"), and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service, or attain a total combination of age and service that is equal to or greater than 92, with a minimum of 35 years of service. Benefits are generally equal to two percent or two and one-half percent, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested, and early retirement may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to two percent or two and one-half percent, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members, or who has at least five years of credited service for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

INSIGHT PA CYBER CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

Member Contributions

Active members who joined the system prior to July 22, 1983 contributed at 5.25 percent (Membership Class T-C), or at 6.50 percent (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 percent (Membership Class T-C), or at 7.50 percent (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 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the system after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30 percent (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50 percent and 9.50 percent, and Membership Class T-F contribution rate to fluctuate between 10.30 percent and 12.30 percent.

Employer Contributions

The School's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, the rate of the employer contribution was 32.57 percent of covered payroll, allocated 31.74 percent to pensions and 0.83 percent to health insurance assistance. The School's pension contribution to PSERS for the year ended June 30, 2018 was \$360,701.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2018, the School reported no liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2016 to June 30, 2017. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the Schools proportion was 0.00 percent. Contributions to the plan began subsequent to the June 30, 2017 measurement date.

INSIGHT PA CYBER CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

For the year ended June 30, 2018, the School recognized no pension expense. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 360,701	\$ -
	<u>\$ 360,701</u>	<u>\$ -</u>

An amount of \$360,701 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward the system's total pension liability as of the June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal, level percentage of pay.
- Investment return – 7.25 percent, including inflation of 2.75 percent.
- Salary increases – effective average of 5.00 percent, which reflects an allowance for inflation of 2.75 percent, and 2.25 percent for real wage growth and merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board of Directors. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

INSIGHT PA CYBER CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public entity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	(20.0%)	1.1%
	<u>100.0%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

Discount Rate

The discount used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates which are actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

INSIGHT PA CYBER CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

	1% Decrease 6.25%	Current Rate Discount Rate 7.25%	1% Increase 8.25%
School's proportionate share of the net pension liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Pension Plan Fiduciary Net Position

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

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PLAN

Health Insurance Premium Assistance Program

The School contributes to the Health Insurance Premium Assistance Program, which is a governmental cost sharing, multiple-employer other postemployment benefits plan ("OPEB") for all eligible retirees who qualify and elect to participate. Employer contribution rates for premium assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

INSIGHT PA CYBER CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Pension Plan Description

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School's contractually required contribution rate for the fiscal year ended June 30, 2017 was 0.83 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School were \$9,432 for the year ended June 30, 2018.

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

At June 30, 2018, the School reported no liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the system's total OPEB liability as of June 30, 2016 to June 30, 2017. The School's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the School's proportion was 0.00 percent.

Contributions

For the year ended June 30, 2018, the School recognized no OPEB expense. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

INSIGHT PA CYBER CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 9,432	\$ -
	<u>\$ 9,432</u>	<u>\$ -</u>

An amount of \$9,432 is reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

Actuarial Assumptions

The total OPEB liability as of June 30, 2017 was determined by rolling forward the system's total OPEB liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level percent of pay
- Investment return – 3.13 percent - S&P 20 Year Municipal Bond Rate
- Salary growth – Effective average of 5.00 percent comprised of inflation of 2.75 percent and 2.25 percent for real wage growth and for merit or seniority increases
- Premium assistance reimbursement capped at \$1,200 per year
- Assumed healthcare cost trends applied to retirees with less than \$1,200 in premium assistance per year
- Mortality rates based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale
- Participation rate:
 - Eligible retirees will elect to participate pre-age 65 at 50 percent
 - Eligible retirees will elect to participate pre-age 65 at 70 percent

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value
- Participation rate: 64 percent of eligible retirees are assumed to elect premium assistance.

INSIGHT PA CYBER CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back three years for males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back seven years for males and three years for females for disabled annuitants. (A unisex table based on RP-2000 Combined Healthy Annuitant Tables with age set back three years for both genders assuming the population consists of 25 percent males and 75 percent females is used to determine actuarial equivalent benefits.)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public entity	76.4%	0.6%
Fixed income	23.6%	1.5%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13 percent. Under the plan's funding policy, contributions are structured for short-term funding of premium assistance. The funding policy sets contributions rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient for the payment of premium assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore,

INSIGHT PA CYBER CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13 percent, which represents the S&P 20 year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual premium assistance. As of June 30, 2017, retirees premium assistance benefits are not subject to future healthcare cost increases. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on the healthcare cost trends as depicted below.

The following presents the system's net OPEB liability for June 30, 2017, calculated using current healthcare cost trends, as well as what the system's net OPEB liability would be if its healthcare cost trends were one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
School's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

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

The following presents the net OPEB liability, calculated using the discount rate of 3.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13 percent) or one percentage point higher (4.13 percent) than the current rate:

	1% Decrease 2.13%	Current Rate Discount Rate 3.13%	1% Increase 4.13%
School's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

INSIGHT PA CYBER CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

OPEB Plan Fiduciary Net Position

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

NOTE 9 COMMITMENTS AND CONTINGENCIES

The School is subject to various claims, legal proceedings, and investigations covering a wide range of matters that arise in the normal course of business. In the opinion of management, all such matters are adequately covered by insurance, and if not so covered are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of activities of the School if disposed of unfavorably.

Grants

The School receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audits by the grantors or their representatives. Any disallowed claims resulting from such audits could become a liability of the School. Management believes such disallowance, if any, would be immaterial.

NOTE 10 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

General fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2018:

Capital outlays	\$	98,252
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The excess of expenditures over appropriations was financed by other expenditure category appropriations which did not exceed their budgeted amounts.

NOTE 11 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through November 14, 2018, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**INSIGHT PA CYBER CHARTER SCHOOL
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
 Pennsylvania Public School Employees' Retirement System (PSERS)**

	June 30, 2018
Contractually required contribution	\$ 360,701
Contributions in relation to the contractually required contribution	360,701
Contribution deficiency (excess)	\$ -
School's covered-employee payroll	\$ 1,136,424
Contributions as a percentage of covered-employee payroll	31.74%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**INSIGHT PA CYBER CHARTER SCHOOL
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS
 Pennsylvania Public School Employees' Retirement System (PSERS)**

	June 30, 2018
Contractually required contribution	\$ 9,432
Contributions in relation to the contractually required contribution	9,432
Contribution deficiency (excess)	\$ -
School's covered-employee payroll	\$ 1,136,424
Contributions as a percentage of covered-employee payroll	0.83%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

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

November 14, 2018

To the Board of Trustees
Insight PA 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 the major fund of the Insight PA Cyber Charter School ("the School"), Exton, Pennsylvania, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 14, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

To the Board of Trustees
Insight PA Cyber Charter School

Compliance and Other Matters

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

Purpose of This Report

This 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP