

ISUCCEED VIRTUAL HIGH SCHOOL, INC.

Report on Audited
Basic
Financial Statements
and
Additional Information

For the Year Ended June 30, 2011

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iSucceed Virtual High School, Inc.

Title Page

6148 N. Discovery Way, Suite 120
Boise, Idaho 83713

Board of Directors

Don Pena	President
Zee Quintana	Vice-President
Jeff Tunison	Treasurer
Korene Gonzales	Director
Derrick Boles	Director
Kelly Phipps	Director
Audrey Simmons	Director
Kathy Uker	Director

Administrators

Monti Pittman	Executive Director
Lisa McIntosh	Business Manager



Certified Public Accountants

Jared Zwuygart, CPA
Weston Flamm, CPA
James Washburn, CPA

812-B 12th Ave. South
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Independent Auditor's Report

Board of Directors
iSucceed Virtual High School, Inc.
Boise, Idaho

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **iSucceed Virtual High School, Inc.** (the School), as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for **iSucceed Virtual High School, Inc.**, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2011, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 21 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The School has omitted the management's discussion and analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 to 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Bailey & Co.

Nampa, Idaho
September 7 2011

iSucceed Virtual High School, Inc.
Statement of Net Assets
June 30, 2011

	Governmental Activities
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 970,257
Receivables, Net:	
Intergovernmental	564,993
Other	21
Prepaid Expenses	25,379
Total Current Assets	1,560,650
Noncurrent Assets:	
Capital Assets:	
Equipment, Net	9,101
Total Noncurrent Assets	9,101
Total Assets	1,569,751
 Liabilities	
Accounts Payable and Other Current Liabilities	3,390
Related Party Payable	134,028
Salaries and Benefits Payable	70,680
Total Liabilities	208,098
 Net Assets	
Invested in Capital Assets, Net of Related Debt	9,101
Restricted for:	
Prepaid Expenses	25,379
Special Revenue	89,030
Unrestricted Surplus	1,238,143
Total Net Assets	\$ 1,361,653

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

iSucceed Virtual High School, Inc.
Statement of Activities
For the Year Ended June 30, 2011

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets - Governmental Activities
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions		
Primary Government:					
Governmental Activities:					
Instruction	\$ 2,655,689	\$ 0	\$ 124,276	\$ 0	\$ (2,531,413)
Support Services	1,233,610	0	116,586	0	(1,117,024)
Total Governmental Activities	\$ 3,889,299	\$ 0	\$ 240,862	\$ 0	\$ (3,648,437)
		General Revenues:			
					4,353,775
					1,720
					5,551
					4,361,046
					712,609
					649,044
					\$ 1,361,653

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

iSucceed Virtual High School, Inc.
Balance Sheet -
Governmental Funds
June 30, 2011

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 881,227	89,030	\$ 970,257
Receivables, Net:			
Intergovernmental	555,459	9,534	564,993
Other	21	0	21
Internal Balances	4,106	0	4,106
Prepaid Expenses	24,325	1,054	25,379
Total Assets	\$ 1,465,138	\$ 99,618	\$ 1,564,756
Liabilities and Fund Balances			
Liabilities:			
Internal Balances	\$ 0	4,106	\$ 4,106
Accounts Payable	3,390	0	3,390
Related Party Payable	134,028	0	134,028
Salaries and Benefits Payable	65,252	5,428	70,680
Total Liabilities	202,670	9,534	212,204
Fund Balances:			
Nonspendable	24,325	1,054	25,379
Restricted	0	89,030	89,030
Unassigned	1,238,143	0	1,238,143
Total Fund Balances	1,262,468	90,084	1,352,552
Total Liabilities and Fund Balances	\$ 1,465,138	\$ 99,618	\$ 1,564,756

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

iSucceed Virtual High School, Inc.
Reconciliation of the Governmental Fund Balances
to the Statement of Net Assets
June 30, 2011

Total Fund Balances - Governmental Funds	\$ 1,352,552
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Amounts reported for governmental activities in the Statement of Net Assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The cost of assets consist of:

Equipment, Net of \$3,310 Accumulated Depreciation	9,101
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Total Net Assets-Governmental Activities	<u>\$ 1,361,653</u>
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The accompanying notes are an integral
part of the financial statements.

iSucceed Virtual High School, Inc.
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2011

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
State	\$ 4,353,775	\$ 0	\$ 4,353,775
Grants and Contributions	200	240,662	240,862
Interest Income	5,551	0	5,551
Other	1,720	0	1,720
Total Revenues	<u>4,361,246</u>	<u>240,662</u>	<u>4,601,908</u>
Expenditures			
Current:			
Instruction	2,529,131	124,076	2,653,207
Support Services	1,207,108	26,502	1,233,610
Total Expenditures	<u>3,736,239</u>	<u>150,578</u>	<u>3,886,817</u>
Net Change in Fund Balances	625,007	90,084	715,091
Fund Balances - Beginning	637,461	0	637,461
Fund Balances - Ending	<u>\$ 1,262,468</u>	<u>\$ 90,084</u>	<u>\$ 1,352,552</u>

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

iSucceed Virtual High School, Inc.
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances
 of the Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2011

Total Net Change in Fund Balance - Governmental Funds	\$ 715,091
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. In the current period these amounts are:

Capital Outlay	\$ 0	
Depreciation Expense	<u>(2,482)</u>	
Net		(2,482)

Change in Net Assets of Governmental Activities	<u><u>\$ 712,609</u></u>
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The accompanying notes are an integral
 part of the financial statements.

iSucceed Virtual High School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The accompanying financial statements present the activities of the School. The School receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the School is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are volunteers and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the School's reporting entity does not contain any component units, as defined by Governmental Accounting Standards.

Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the financial activities of the School. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through intergovernmental revenues and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.
- Indirect expenses - expenses of the general government related to the administration and support of the School's programs, such as personnel and accounting (but not interest on long-term debt)—are allocated to programs based on their percentage of total primary government expenses. Interest expenses are allocated to the programs that manage the capital assets financed with long-term debt.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the School's funds. The emphasis of fund financial statements is on major

iSucceed Virtual High School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The School reports the following major governmental funds:

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

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

iSucceed Virtual High School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets and Liabilities

Cash Equivalents

The School requires all cash belonging to the School to be placed in custody of the Clerk/Business Manager. A "Pooled Cash" concept is therefore used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in the pooled cash and investment accounts are considered to be cash and cash equivalents. See Note 2.

Receivables

All trade and other receivables are shown net of an allowance for uncollectibles.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are shown below.

	<u>Capitalization Policy</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$ 5,000	Straight-line	20-50 years
Equipment	\$ 5,000	Straight-line	7-10 years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

Accounts Payable

Accounts payable represent debts that will be paid in the next billing cycle.

Accounts payable are not over 60 days past due.

iSucceed Virtual High School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Fund Balance Reporting and Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide statement of net assets and in governmental fund statements. The School uses the following fund balance categories:

- *Nonspendable*. Balances, for example, in permanent funds, prepaid expenses, and inventories that are permanently precluded from conversion to cash.
- *Restricted*. Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions.
- *Committed*. Balances that are constrained by the highest level of decision making authority of the entity. Constraints can only be removed by taking the same type of action that imposed the constraints.
- *Assigned*. Balances intended for a specific purpose by the School's management.
- *Unassigned*. Balances available for any purpose.

The Board of Directors is the highest level of decision making authority and is also the same body authorized to assign balances to a specific purpose. The Business Manager also has the authority to assign fund balances. In order to commit funds to a specific purpose, the Board of Directors must take a formal action, although the amount may be determined after year-end. No formal action was taken before year-end to commit funds to a specific purpose. When expenditures are incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the School's policy is to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts.

Restricted funds in the Albertson's Grant fund are only listed as such since the Idaho Department of Education requires a separate fund to account for this grant even though the way the funds can be spent have not been constrained. Fund balances in other special revenue funds are restricted by the federal government and must be spent according to the stipulations of the corresponding federal program.

iSucceed Virtual High School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2011

2. CASH AND INVESTMENTS

Summary of Cash and Investment Balances

The School maintains a cash account and a repurchase agreement account for use by all funds. The School also has \$90 in petty cash.

Investments are summarized as follows:

Investment Type	Credit Rating	Fair Value	Investment Maturities (in Years)	
			Less than 1	1 - 5
Repurchase Agreement	N/A	\$ 953,469	\$ 953,469	\$ 0

At year-end, the cash and investments were reported in the basic financial statements in the following categories:

Cash and cash equivalents	Governmental Activities
	\$ 970,257

Deposits

As of June 30, 2011, the carrying amount of the School's deposits was \$16,698 and the respective bank balances totaled \$25,000. The total bank balance was insured or collateralized with pooled securities held by the pledging institution in the name of the School.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The School has established a policy that deposits may not be held in financial institutions that are not insured by federal insurance programs and deposits in excess of insurance must be collateralized. As of June 30, 2011, all of the School's deposits were covered by the federal depository insurance or by collateral held by the School's agent or pledging financial institution's trust department or agent in the name of the School, and thus had no bank deposits that were exposed to custodial credit risk.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The School has established a policy that allows investments in

iSucceed Virtual High School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2011

2. CASH AND INVESTMENTS (continued)

those allowed by Idaho Statute. Also, with the exception of certificates of deposit, no more than 50% of the School's total investment portfolio may be invested in a single security type. Qualifying investment options are as follows:

Idaho Code authorizes the School to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

Interest Rate Risk

The School has established a policy to limit investment maturities that would help manage its exposure to fair value losses from increasing interest rates. The School will not directly invest in securities maturing in more than two years from the date of purchase.

3. INTERNAL BALANCES

Balances due to/from other funds at June 30, 2011, consist of the following:

\$ 4,106 Due to the General fund from other governmental funds representing short-term loans to cover cash overdrafts.

4. INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments consist of \$555,459 as a reimbursement from the State of Idaho for school support and \$9,534 as a reimbursement from the State of Idaho for Title VI-B for a total of \$564,993.

5. PENSION PLAN

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for

iSucceed Virtual High School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2011

5. PENSION PLAN (continued)

eligible state and school employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.idaho.gov.

The actuarially determined contribution requirements of the School and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2011, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.69% (7.65% + .04% effective March 1, 2010) for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. The School employer contributions required and paid were \$52,035, \$47,906, and \$11,738 for the three years ended June 30, 2011, 2010, and 2009, respectively.

6. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the School expects such amounts, if any, to be immaterial.

7. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School has transferred most of its risk by purchasing commercial insurance. Workman's Compensation insurance is purchased through the Idaho State Insurance Fund. Employee health and accident insurance is purchased through Blue Cross of Idaho. All other insurance has been purchased through Fred A. Moreton Company.

iSucceed Virtual High School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2011

8. LEASE COMMITMENTS

Operating Leases

In February 2010, the School entered into a lease agreement for office space located in Boise where their headquarters are located. The lease period is for five years. The future minimum lease payments are as follows:

Year Ending June 30,	Amount
2012	\$ 74,400
2013	77,888
2014	81,375
2015	55,800
	<u>\$ 289,463</u>

Rent expenditures for the year ended June 30, 2011, were \$67,828.

9. OTHER COMMITMENTS

The School has two credit cards with a total credit limit of \$20,000 at an interest rate of 13.24%. As of June 30, 2011, none of the available credit had been drawn on.

10. RELATED PARTIES

The School originally contracted with Insight Schools who was then bought out by Kaplan during the year. The purpose of the contract is to provide all educational materials as well as school administrative and technical services. Educational materials include online curriculum, class textbooks, workbooks and supplies, teaching materials, and computers for students and teachers. School administrators are employed by Kaplan. The administration reports to an independent Charter Board of Directors. Kaplan charges a service fee for administrative and technical services. This fee is based upon the number of students. The amount paid to Insight Schools and Kaplan during the year ended June 30, 2011, was \$2,461,072. At year-end there is a balance due to Kaplan in the amount of \$134,028.

iSucceed Virtual High School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2011

11. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>6/30/2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2011</u>
<u>Governmental Activities:</u>				
Capital Assets Being Depreciated:				
Equipment	12,411	<u>0</u>	<u>0</u>	<u>12,411</u>
Total Historical Cost	<u>12,411</u>	<u>0</u>	<u>0</u>	<u>12,411</u>
Less: Accumulated Depreciation				
Equipment	828	<u>2,482</u>	<u>0</u>	<u>3,310</u>
Total Acc. Depr.	<u>828</u>	<u>2,482</u>	<u>0</u>	<u>3,310</u>
Net Depreciable Assets	<u>11,583</u>	<u>(2,482)</u>	<u>0</u>	<u>9,101</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 11,583</u>	<u>\$ (2,482)</u>	<u>\$ 0</u>	<u>\$ 9,101</u>

Depreciation expense was charged to the functions of the School as follows:

Support Services	<u>\$ 2,482</u>
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REQUIRED SUPPLEMENTARY INFORMATION

iSucceed Virtual High School, Inc.
Budgetary (GAAP Basis) Comparison Schedule
General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
State	\$ 4,098,254	\$ 3,692,136	\$ 4,353,775	\$ 661,639
Grants and Contributions	0	200	200	0
Interest Income	3,000	5,882	5,551	(331)
Other	0	470	1,720	1,250
Total Revenues	<u>4,101,254</u>	<u>3,698,688</u>	<u>4,361,246</u>	<u>662,558</u>
Expenditures				
Current:				
Instruction	2,828,852	2,584,120	2,529,131	54,989
Support Services	1,112,824	1,039,995	1,207,108	(167,113)
Contingency Reserve	197,084	181,206	0	181,206
Total Expenditures	<u>4,138,760</u>	<u>3,805,321</u>	<u>3,736,239</u>	<u>69,082</u>
 Net Change in Fund Balances	 (37,506)	 (106,633)	 625,007	 731,640
 Fund Balance - Beginning	 467,624	 637,459	 637,461	 2
Fund Balance - Ending	<u>\$ 430,118</u>	<u>\$ 530,826</u>	<u>\$ 1,262,468</u>	<u>\$ 731,642</u>

iSucceed Virtual High School, Inc.
Notes to Required Supplementary Information
For the Year Ended June 30, 2011

1. **BUDGETS AND BUDGETARY ACCOUNTING**

The School follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Prior to June 1, the Business Manager and Board of Directors prepare a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted to obtain taxpayer comments.
- C. Prior to July 1, the budget is legally enacted through passage at a board meeting.
- D. Formal budgetary integration is employed as a management control device during the year for all the funds.
- E. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- F. Budgeted amounts are as originally adopted, or amended by the Board of Directors.

SUPPLEMENTAL INFORMATION

iSucceed Virtual High School, Inc.
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2011

	Albertson's Grant	Title VI-B	Teacher Improvement	Total
Assets				
Cash	\$ 89,030	\$ 0	\$ 0	\$ 89,030
Receivables, Net:				
Intergovernmental	0	9,534	0	9,534
Prepaid Expenses	0	0	1,054	1,054
Total Assets	\$ 89,030	\$ 9,534	\$ 1,054	\$ 99,618
Liabilities				
Internal Balances	\$ 0	\$ 4,106	\$ 0	\$ 4,106
Salaries Payable	0	5,428	0	5,428
Total Liabilities	0	9,534	0	9,534
Fund Balance				
Nonspendable	0	0	1,054	1,054
Restricted	89,030	0	0	89,030
Total Fund Balances	89,030	0	1,054	90,084
Total Liabilities and Fund Balances	\$ 89,030	\$ 9,534	\$ 1,054	\$ 99,618

iSucceed Virtual High School, Inc.

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011

	Albertson's Grant	Title VI-B	Teacher Improvement	Total
Revenues				
Grants and Contributions	\$ 100,000	\$ 124,076	\$ 16,586	\$ 240,662
Total Revenues	100,000	124,076	16,586	240,662
Expenditures				
Instruction:				
Salaries	0	66,437	0	66,437
Services	0	52,642	0	52,642
Supplies	0	4,997	0	4,997
Total Instruction	0	124,076	0	124,076
Support Services:				
Services	11,000	0	13,988	24,988
Supplies	(30)	0	1,544	1,514
Total Support Services	10,970	0	15,532	26,502
Total Expenditures	10,970	124,076	15,532	150,578
Net Change in Fund Balances	89,030	0	1,054	90,084
Fund Balance - Beginning	0	0	0	0
Fund Balance - Ending	\$ 89,030	\$ 0	\$ 1,054	\$ 90,084

FEDERAL REPORTS

**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**

Board of Directors
iSucceed Virtual High School, Inc.
Boise, Idaho

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **iSucceed Virtual High School, Inc.** (the School) as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 7, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **iSucceed Virtual High School, Inc.'s** internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **iSucceed Virtual High School, Inc.'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*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bailey & Co.

Nampa, Idaho
September 7, 2011