

IDAHO VIRTUAL HIGH SCHOOL DISTRICT NO. 453

Report on Audited
Basic
Financial Statements
and
Additional Information

For the Year Ended June 30, 2010

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FEDERAL REPORT

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*

Idaho Virtual High School District No. 453

Title Page

675 S. Haskett St.
Mountain Home, Idaho 83647

Board of Directors

Meg Warren

Chairperson

Don Dow

Vice-Chairperson

Doug Mayne

Treasurer

Melody Landis

Secretary

Not Filled

Director

Administrators

Larry Slade

Principal/Executive Director

Independent Auditor's Report

Board of Directors
Idaho Virtual High School District No. 453
Mountain Home, Idaho

We have audited the accompanying financial statements of the governmental activities and each fund of **Idaho Virtual High School District No. 453** (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 and each fund for **Idaho Virtual High School District No. 453**, as of June 30, 2010, 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 28, 2010, on our consideration of **Idaho Virtual High School District No. 453'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 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The District has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Bailey & Co.

Nampa, Idaho
September 28, 2010

Idaho Virtual High School District No. 453
Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 857,850
Receivables:	
Intergovernmental	170,522
Interest	180
Prepaid Expenses	52,081
Capital Assets:	
Land	186,500
Building, Net	2,001,808
Equipment, Net	31,863
Total Capital Assets	2,220,171
Total Assets	3,300,804
 Liabilities	
Accounts Payable and Other Current Liabilities	8,405
Salaries and Benefits Payable	35,159
Total Liabilities	43,564
 Net Assets	
Invested in Capital Assets, Net of Related Debt	2,220,171
Unrestricted Surplus	1,037,069
Total Net Assets	\$ 3,257,240

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

Idaho Virtual High School District No. 453
Statement of Activities
For the Year Ended June 30, 2010

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets - Governmental Activities</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
Governmental Activities:					
Instruction	\$ 1,360,695	\$ 34,177	\$ 11,707	\$ 0	\$ (1,314,811)
Support Services	561,605	0	0	0	(561,605)
Interest	41,800	0	0	0	(41,800)
Total Governmental Activities	<u>\$ 1,964,100</u>	<u>\$ 34,177</u>	<u>\$ 11,707</u>	<u>\$ 0</u>	<u>(1,918,216)</u>
		General Revenues:			
				State Sources	2,363,486
				Other	34,030
				Total General Revenues and Special Items	<u>2,397,516</u>
				Change in Net Assets	479,300
				Net Assets, Beginning of Year	<u>2,777,940</u>
				Net Assets, End of Year	<u>\$ 3,257,240</u>

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

Idaho Virtual High School District No. 453

Balance Sheet -
Governmental Funds
June 30, 2010

	<u>General</u>	<u>State Technology</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Cash Equivalents	\$ 857,850	\$ 0	\$ 0	\$ 857,850
Receivables:				
Intergovernmental	170,522	0	0	170,522
Interest	180	0	0	180
Internal Balances	6,344	0	0	6,344
Prepaid Expenses	52,081	0	0	52,081
Total Assets	<u>\$ 1,086,977</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,086,977</u>
Liabilities and Fund Balances				
Liabilities:				
Internal Balances	\$ 0	\$ 6,344	\$ 0	\$ 6,344
Accounts Payable	8,405	0	0	8,405
Salaries and Benefits Payable	35,159	0	0	35,159
Total Liabilities	<u>43,564</u>	<u>6,344</u>	<u>0</u>	<u>49,908</u>
Fund Balances:				
Nonspendable	52,081	0	0	52,081
Assigned to:				
Capital Projects	0	0	0	0
Unassigned	991,332	(6,344)	0	984,988
Total Fund Balances	<u>1,043,413</u>	<u>(6,344)</u>	<u>0</u>	<u>1,037,069</u>
Total Liabilities and Fund Balances	<u>\$ 1,086,977</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,086,977</u>

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

Idaho Virtual High School District No. 453
Reconciliation of the Balance Sheet of the Governmental
Funds to the Statement of Net Assets
June 30, 2010

Total Fund Balances - Governmental Funds \$ 1,037,069

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. Those assets consist of:

Land	\$ 186,500	
Building, Net of \$104,725 Accumulated Depreciation	2,001,808	
Equipment, Net of \$31,617 Accumulated Depreciation	<u>31,863</u>	
		<u>2,220,171</u>

Total Net Assets-Governmental Activities \$ 3,257,240

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

Idaho Virtual High School District No. 453

Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds

For the Year Ended June 30, 2010

	General	State Technology	Capital Projects	Total Governmental Funds
Revenues				
State	\$ 2,363,486	\$ 11,707	\$ 0	\$ 2,375,193
Other	68,207	0	0	68,207
Total Revenues	<u>2,431,693</u>	<u>11,707</u>	<u>0</u>	<u>2,443,400</u>
Expenditures				
Current:				
Instruction	1,276,825	13,830	0	1,290,655
Support Services	553,829	0	0	553,829
Capital Outlay	34,017	0	0	34,017
Debt Service				
Principal	678,253	0	0	678,253
Interest	41,800	0	0	41,800
Total Expenditures	<u>2,584,724</u>	<u>13,830</u>	<u>0</u>	<u>2,598,554</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(153,031)</u>	<u>(2,123)</u>	<u>0</u>	<u>(155,154)</u>
Other Financing Sources (Uses) Including Transfers				
Transfers In	35,881	0	0	35,881
Transfers Out	0	0	(35,881)	(35,881)
Total Other Financing Sources (Uses)	<u>35,881</u>	<u>0</u>	<u>(35,881)</u>	<u>0</u>
Net Change in Fund Balances	(117,150)	(2,123)	(35,881)	(155,154)
Fund Balances - Beginning	1,160,563	(4,221)	35,881	1,192,223
Fund Balances - Ending	<u>\$ 1,043,413</u>	<u>\$ (6,344)</u>	<u>\$ 0</u>	<u>\$ 1,037,069</u>

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

Idaho Virtual High School District No. 453
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, 2010

Total Net Change in Fund Balance - Governmental Funds	\$ (155,154)
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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. This is the amount by which the depreciation expense (\$77,816) exceeded capitalized amount of capital outlay (\$34,017) in the period.	(43,799)
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Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Principal Payments	<u>678,253</u>
Change in Net Assets of Governmental Activities	<u>\$ 479,300</u>

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

Idaho Virtual High School District No. 453
Notes to Financial Statements
For the Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements present the activities of the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other government 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 District's reporting entity does not contain any component units.

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 District. 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 District'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 District'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.

Idaho Virtual High School District No. 453
Notes to Financial Statements
For the Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements: The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- *General fund.* This is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- *State Technology fund.* This fund accounts for the receipt and expenditure of grants received from the state for technology improvements.
- *Capital Projects fund.* This fund accounts for the receipt and expenditure of lottery revenue.

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 District 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 District 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 District 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 District's policy to

Idaho Virtual High School District No. 453
Notes to Financial Statements
For the Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

use restricted resources first, then unrestricted resources as they are needed.

Assets and Liabilities

Cash Equivalents

The District requires all cash belonging to the District 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.

The District has no infrastructure to report.

Idaho Virtual High School District No. 453
Notes to Financial Statements
For the Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Payable

Accounts payable represent debts that will be paid in the next billing cycle. Accounts payable are not over 60 days past due.

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 District uses the following fund balance categories:

- *Nonspendable*. Balances in permanent funds and inventories that are permanently precluded from conversion to cash.
- *Assigned*. Balances intended for a specific purpose by the District's management.
- *Unassigned*. Balances available for any purpose.

The Board of Trustees is the highest level of decision making authority. There is no formal policy regarding the use of committed, assigned, or unassigned fund balances.

2. CASH AND INVESTMENTS

Summary of Deposit and Investment Balances

The District maintains a cash and investment pool for use by all funds.

Deposits

As of June 30, 2010, the carrying amount of the District's deposits was \$100,549 and the respective bank balances totaled \$102,237. Of the total bank balance, \$102,237

Idaho Virtual High School District No. 453

Notes to Financial Statements
For the Year Ended June 30, 2010

2. CASH DEPOSITS AND INVESTMENTS (continued)

were insured or collateralized with pooled securities held by the pledging institution in the name of the District.

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. As of June 30, 2010, all of the District's deposits were covered by the federal depository insurance or by collateral held by the District's agent or pledging financial institution's trust department or agent in the name of the District, and thus had no bank deposits that were exposed to custodial credit risk. The District does not have a formal policy limiting its exposure to custodial credit risk.

Custodial Credit Risk – Investments

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The District does not have a formal policy limiting its exposure to custodial credit risk.

Interest Rate Risk

The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Investments

The District voluntarily participates in the State of Idaho Investment Pool which was rated AA+ by Standard and Poor's Rating Services. The pool is not registered with the Securities and Exchange Commission or any other regulatory body. Oversight of the pool is with the State Treasurer, and Idaho Code defines allowable investments. The fair value of the District's investment in the pool is the same as the value of the pool shares.

The District follows Idaho Statute that outlines qualifying investment options as follows:

Idaho Code authorizes the District 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.

The District's investments at June 30, 2010, are summarized below:

Idaho Virtual High School District No. 453
Notes to Financial Statements
For the Year Ended June 30, 2010

2. CASH DEPOSITS AND INVESTMENTS (continued)

<u>Investment</u>	<u>Fair Value</u>	<u>Investment Maturity (In Years)</u>
		<u>Less Than 1 Year</u>
State Investment Pool	\$ 757,301	\$ 757,301

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

Cash and cash equivalents	\$ 100,549
Investments categorized as deposits	<u>757,301</u>
	<u>\$ 857,850</u>

3. INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments consists of \$170,522, as a reimbursement from the State of Idaho for school support.

4. 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 eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 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.

Idaho Virtual High School District No. 453
Notes to Financial Statements
For the Year Ended June 30, 2010

4. PENSION PLAN (continued)

The actuarially determined contribution requirements of the District and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2008, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.65% 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 District employer contributions required and paid were \$112,940, \$113,808, and \$120,037 for the three years ended June 30, 2010, 2009, and 2008, respectively.

5. 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 District expects such amounts, if any, to be immaterial.

6. RISK MANAGEMENT

The District 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 District 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 and Company.

7. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at June 30, 2010, consist of the following:

\$ 6,344 Due to the General Fund from the State Technology Fund representing short-term loans to cover cash overdrafts.

Idaho Virtual High School District No. 453
Notes to Financial Statements
For the Year Ended June 30, 2010

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 186,500	\$ 0	\$ 0	\$ 186,500
Capital Assets Being Depreciated:				
Building	2,081,073	25,460	0	2,106,533
Equipment	54,923	8,557	0	63,480
Total Historical Cost	2,135,996	34,017	0	2,170,013
Less: Accumulated Depreciation				
Building	34,685	70,040	0	104,725
Equipment	23,841	7,776	0	31,617
Total Acc. Depr.	58,526	77,816	0	136,342
Net Depreciable Assets	2,077,470	(43,799)	0	2,033,671
Governmental Activities				
Capital Assets - Net	\$ 2,263,970	\$ (43,799)	\$ 0	\$ 2,220,171

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

Governmental Activities:	
Instruction	\$ 70,040
Support Services	7,776
	\$ 77,816

9. LONG-TERM OBLIGATIONS

Governmental Activities

The long-term liability activity for the year ended June 30, 2010, is as follows:

Interest					Current
Rate	Beginning	Increases	Decreases	Ending	Portion
6.22%	\$ 678,253	\$ 0	\$ 678,253	\$ 0	\$ 0

Idaho Virtual High School District No. 453
Notes to Financial Statements
For the Year Ended June 30, 2010

10. OTHER ASSETS

The \$180 represents accrued interest from the Local Government Investment Pool.

11. TRANSFERS

\$ 35,881 From the Capital Projects fund to the General fund to close out the Capital Projects fund.

REQUIRED SUPPLEMENTARY INFORMATION

Idaho Virtual High School District No. 453
Budgetary (GAAP Basis) Comparison Schedule
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
State	\$ 2,250,270	\$ 2,250,270	\$ 2,363,486	\$ 113,216
Other	0	0	68,207	68,207
Total Revenues	<u>2,250,270</u>	<u>2,250,270</u>	<u>2,431,693</u>	<u>181,423</u>
Expenditures				
Current:				
Instruction:				
Payroll and Payroll Taxes	963,217	963,217	984,052	(20,835)
Benefits	106,000	106,000	163,821	(57,821)
Purchase Services	90,000	90,000	106,033	(16,033)
Supplies	60,000	60,000	22,919	37,081
Support Services:				
Payroll and Payroll Taxes	368,892	368,892	380,358	(11,466)
Benefits	70,000	70,000	74,427	(4,427)
Purchase Services	223,000	223,000	91,350	131,650
Supplies	15,000	15,000	7,694	7,306
Capital Outlay	5,000	5,000	34,017	(29,017)
Contingency Reserve	95,055	95,055	0	95,055
Debt Service				
Principal	0	0	678,253	(678,253)
Interest	0	0	41,800	(41,800)
Total Expenditures	<u>1,996,164</u>	<u>1,996,164</u>	<u>2,584,724</u>	<u>(588,560)</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>254,106</u>	<u>254,106</u>	<u>(153,031)</u>	<u>(407,137)</u>
Other Financing Sources				
(Uses) Including Transfers				
Transfers In	0	0	35,881	35,881
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>35,881</u>	<u>35,881</u>
Net Change in Fund Balances	254,106	254,106	(117,150)	(371,256)
Fund Balance - Beginning	924,000	924,000	1,160,563	236,563
Fund Balance - Ending	<u>\$ 1,178,106</u>	<u>\$ 1,178,106</u>	<u>\$ 1,043,413</u>	<u>\$ (134,693)</u>

Idaho Virtual High School District No. 453
 Budgetary (GAAP Basis) Comparison Schedule
 State Technology
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
State	\$ 12,293	\$ 12,293	\$ 11,707	\$ (586)
Total Revenues	<u>12,293</u>	<u>12,293</u>	<u>11,707</u>	<u>(586)</u>
Expenditures				
Current:				
Instruction				
Purchased Services	0	0	2,568	(2,568)
Supplies	12,293	12,293	11,262	1,031
Total Expenditures	<u>12,293</u>	<u>12,293</u>	<u>13,830</u>	<u>(1,537)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>(2,123)</u>	<u>(2,123)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	0	(2,123)	(2,123)
Fund Balance - Beginning	0	0	(4,221)	(4,221)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (6,344)</u>	<u>\$ (6,344)</u>

Idaho Virtual High School District No. 453
Notes to Required Supplementary Information
For the Year Ended June 30, 2010

1. BUDGETS AND BUDGETARY ACCOUNTING

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

- A. Prior to June 1, the Principal/Executive Director 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).

2. EXPENDITURES IN EXCESS OF APPROPRIATIONS

General fund	\$ 588,560
State Technology	\$ 1,537

FEDERAL REPORT

**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
Idaho Virtual High School District No. 453
Mountain Home, Idaho

We have audited the financial statements of the governmental activities and each fund of **Idaho Virtual High School District No. 453** (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 28, 2010. 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 **Idaho Virtual High School District No. 453'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 entity'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 **Idaho Virtual High School District No. 453'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, others within the entity, Board of Directors, 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 28, 2010