

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
INDIANA VIRTUAL ACADEMY
RIPLEY COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED

04/29/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Deborah S. Tompkins	07-01-08 to 06-30-11
Executive Director	Dr. Fred Sagester William H. Narwold	07-01-08 to 04-30-10 05-01-10 to 06-30-11
Director	Allynn R. Swensen	05-01-10 to 06-30-11
President of the Board of Directors	William H. Narwold	07-01-08 to 06-30-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA VIRTUAL ACADEMY, RIPLEY COUNTY, INDIANA

We have examined the financial statements presented herein of the Indiana Virtual Academy (School Corporation), for the period of July 1, 2008 to June 30, 2010. The School Corporation's management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial statements of the School Corporation for the years ended June 30, 2009 and 2010, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial statement. The Schedule of Capital Assets has not been subjected to the examination procedures applied to the basic financial statements and, accordingly, we express no opinion on this schedule.

STATE BOARD OF ACCOUNTS

February 28, 2011

INDIANA VIRTUAL ACADEMY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	Net (Disbursement) Receipts and Changes in Net Assets <u>Totals</u>
Governmental activities:		
Instruction	\$ 59,205	\$ (59,205)
Support services	<u>499,352</u>	<u>(499,352)</u>
Total governmental activities	<u>\$ 558,557</u>	<u>(558,557)</u>
General receipts:		
Other local sources		136,337
State aid		76,524
Special items:		
Asset transfer from Southeastern Career Center		<u>1,029,205</u>
Total general receipts and special items		<u>1,242,066</u>
Change in net assets		683,509
Net assets - beginning		<u>-</u>
Net assets - ending		<u>\$ 683,509</u>
 <u>Assets</u>		
Cash and investments		<u>\$ 683,509</u>
 <u>Net Assets</u>		
Unrestricted		<u>\$ 683,509</u>

The notes to the financial statements are an integral part of this statement.

INDIANA VIRTUAL ACADEMY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	Net (Disbursement) Receipts and Changes in Net Assets <u>Totals</u>
Governmental activities:		
Instruction	\$ 29,361	\$ (29,361)
Support services	<u>337,163</u>	<u>(337,163)</u>
Total governmental activities	<u>\$ 366,524</u>	<u>(366,524)</u>
General receipts:		
Other local sources		<u>245,599</u>
Change in net assets		(120,925)
Net assets - beginning		<u>683,509</u>
Net assets - ending		<u>\$ 562,584</u>
 <u>Assets</u>		
Cash and investments		<u>\$ 562,584</u>
 <u>Net Assets</u>		
Unrestricted		<u>\$ 562,584</u>

The notes to the financial statements are an integral part of this statement.

INDIANA VIRTUAL ACADEMY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUND
For the Year Ended June 30, 2009

	General
Receipts:	
Local sources	\$ 136,337
State sources	76,524
Total receipts	212,861
Disbursements:	
Current:	
Instruction	59,205
Support services	499,352
Total disbursements	558,557
Deficiency of receipts over disbursements	(345,696)
Special items:	
Asset transfer from Southeastern Career Center	1,029,205
Net deficiency of receipts over disbursements and special items	683,509
Cash and investments - beginning	-
Cash and investments - ending	\$ 683,509
<u>Cash and Investment Assets - Ending</u>	
Total cash and investment assets - ending	\$ 683,509
<u>Cash and Investment Fund Balance - Ending</u>	
Unrestricted	683,509
Total cash and investment fund balance - ending	\$ 683,509

The notes to the financial statements are an integral part of this statement.

INDIANA VIRTUAL ACADEMY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUND
For the Year Ended June 30, 2010

	General
Receipts:	
Local sources	\$ 245,599
Disbursements:	
Current:	
Instruction	29,361
Support services	337,163
Total disbursements	366,524
Deficiency of receipts over disbursements	(120,925)
Cash and investments - beginning	683,509
Cash and investments - ending	\$ 562,584
<u>Cash and Investment Assets - Ending</u>	
Total cash and investment assets - ending	\$ 562,584
<u>Cash and Investment Fund Balance - Ending</u>	
Total cash and investment fund balance - ending	\$ 562,584

The notes to the financial statements are an integral part of this statement.

INDIANA VIRTUAL ACADEMY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The Indiana Virtual Academy is a joint venture established under the provisions of the Interlocal Cooperation Act (Indiana 36-1-7). The School Corporation operates under a Board of Directors consisting of the chief administrative officers of the following participating entities:

Batesville Community School Corporation
Jac-Cen-Del Community School Corporation
Milan Community School Corporation
South Ripley Community School Corporation
Southeaster Career Center

The School Corporation provides online educational services for the member schools as well as online educational opportunities for all high school students in the State of Indiana.

The School Corporation's financial reporting entity is composed of the primary government; there are no significant component units.

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds or fiduciary funds.

INDIANA VIRTUAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation reports the following major governmental fund:

The General Fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

C. Measurement Focus and Basis of Accounting

The government-wide and governmental fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed. However the School Corporation does not have any restricted assets at this time.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed as follows:

Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

INDIANA VIRTUAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. The School Corporation did not have any program receipts. Internally dedicated resources are reported as general receipts rather than as program receipts.

II. Detailed Notes on All Funds

Deposits and Investments

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$575,593.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Investments

Statutory Authorization for Investments

IC 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America,

INDIANA VIRTUAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

III. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Asset Transfer from the Southeastern Career Center

The Southeastern Career Center began administering a Lilly/Indiana Virtual Academy grant in the year 2001. The grant was provided by the Lilly Endowment, Incorporated. Effective July 1, 2008, the Indiana Virtual Academy became a separate entity established under the provisions of the Interlocal Cooperation Act, IC 36-1-7 with powers conferred by IC 20-26-1 upon public schools in the State of Indiana. The cash and investment balance in the Southeastern Career Center's Lilly/Indiana Virtual Academy Grant fund in the amount of \$1,029,205 was transferred to the Indiana Virtual Academy.

INDIANA VIRTUAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Pension Plan

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program.

The School Corporation's contributions to the plan during the period were \$15,412.

INDIANA VIRTUAL ACADEMY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2010

Capital assets are reported at actual historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Improvements other than buildings	\$ 2,000,000
Machinery and equipment	134,910
Total governmental activities, capital assets not being depreciated	\$ 2,134,910

INDIANA VIRTUAL ACADEMY
EXIT CONFERENCE

The contents of this report were discussed on February 28, 2011, with Deborah S. Tompkins, Treasurer; William H. Narwold, President of the Board of Directors and Executive Director; and Allynn R. Swensen, Director. Our examination disclosed no material items that warrant comment at this time.