

ARTEC CHARTER SCHOOL
COMPONENT OF ADVANCED REGIONAL TECHNICAL EDUCATION, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ARTEC Charter School
Rupert, ID 83350

We have audited the accompanying statement of financial position of the ARTEC Charter School, a component of Advanced Regional Technical Education, Inc. (a non-profit organization) as of June 30, 2008 and the related statements of activities and cash flow for the year then ended. These financial statements are the responsibility of the Organization's management. 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ARTEC Charter School as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United State of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2008, on our consideration of ARTEC Charter 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of ARTEC Charter School taken as a whole. The selected other supplementary information on pages 10-15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Condie Stoker & Robins, CPAs
October 13, 2008



A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

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

To the Board of Directors
ARTEC Charter School
Rupert, ID 83350

We have audited the financial statements of the ARTEC Charter School, a component of Advanced Regional Technical Education, Inc. (a non-profit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 13, 2008. 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 ARTEC Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ARTEC Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 ARTEC Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of ARTEC Charter School in a separate letter dated October 13, 2008.

This report is intended solely for the information and use of management, Board of Directors, 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.

Condie, Stoker & Robins, CPAs
October 13, 2008

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ARTEC CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION JUNE 30, 2008

Assets:

Cash and Cash Equivalents (Note B)	171,534
Receivables:	
State of Idaho (Note C)	22,593
Federal (Note D)	<u>25,851</u>
Total Assets	<u>219,978</u>

Liabilities

Accounts Payable (Note G)	76,124
Deferred Revenue (Note K)	<u>1,861</u>
Total Liabilities	77,985

Fund Equity

Unrestricted General Fund	<u>141,993</u>
Total Net Assets	<u><u>219,978</u></u>

See accompanying notes to financial statements.

ARTEC CHARTER SCHOOL

STATEMENT OF ACTIVITIES FOR THE YEAR ENDING JUNE 30, 2008

Revenues:

Earnings on Investments	4,003
Other Local Revenue	107
State	1,443,511
Federal	126,193
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Total Revenues	1,573,814
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Expenditures:

Instruction:

Secondary	1,363,710
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Support Services:

Instruction Improvement	87,339
Board of Education	1,153
District Administration	3,519
School Administration	70,403
Business Operation	10
Buildings Operation and Maintenance	6,714
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Total Expenditures	1,532,848
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Net Change in Net Assets	40,966
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Net Assets at Beginning of Year	101,027
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Net Assets at End of Year	141,993
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See accompanying notes to financial statements.

ARTEC CHARTER SCHOOL

STATEMENT OF CASH FLOW FOR THE YEAR ENDING JUNE 30, 2008

Cash Flow From Operating Activities

Change in Net Assets	40,966
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) Decrease in accounts receivable (deferred revenue)	(40,645)
Increase (Decrease) in current liabilities	<u>40,951</u>
Cash Flow Provided (Used) By Operating Activities	<u>41,272</u>
Net Increase (Decrease) in Cash and Cash Equivalents	41,272
Cash and Cash Equivalents at Beginning of Year	<u>130,262</u>
Cash and Cash Equivalents at End of Year	<u><u>171,534</u></u>

See accompanying notes to financial statements.

ARTEC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities – ARTEC Charter School is a component of Advanced Regional Technical Education, Inc., a non-profit organization designed to provide educational programs and services which Magic Valley school districts might individually be unable to offer, or which can be provided more economically or more efficiently in combination. The ARTEC Charter School is a regional professional-technical charter school consisting of a coalition of local school districts (Region IV), chambers of commerce, and the College of Southern Idaho. This coalition is dedicated to providing high-end professional-technical classes to Region IV high school students in a manner that will result in maximum benefit to students and to the area business community. The school began operation in the 2006-2007 fiscal year.

Funding for programs is principally from state and federal sources, including state school apportionment funds and Idaho Public Charter School grant awards.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – The Organization considers all highly liquid cash and investments with a maturity of three months or less to be cash and cash equivalents.

Property and Equipment and Depreciation – Property and equipment are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts, less accumulated depreciation. Minor additions and renewals are expensed in the year incurred. Major additions and renewals are capitalized and depreciated on a straight-line basis over their estimated useful lives. No property and equipment above the capitalization threshold of \$5,000 has been acquired as of year end, except that which was allocated to individual school districts for the operation of their applicable programs. These assets are considered to be the property of each affiliated school district and not the property of ARTEC Charter School.

NOTE B - CASH

Cash is stated in terms of U.S. dollars and has been reconciled with bank depositories. The company maintains cash balances at the local branch of D. L. Evans Bank. Accounts are FDIC insured up to \$100,000. At June 30, the company's uninsured cash balances total \$71,534.

NOTE C - STATE RECEIVABLE

This represents the final 2007-2008 apportionment of State funds for the Organization.

NOTE D - FEDERAL RECEIVABLE

The federal government provides resources for certain programs conducted by the Organization. Each program is funded separately and distinctly, e.g., some are dollar amount requests of approved funds while others are dollar amount reimbursements for expenditures incurred. The amounts receivable represent accrual for reimbursement of program expenditures financed temporarily by other funds.

NOTE E - VOUCHERS PAYABLE AND ACCRUED LIABILITIES

Vouchers payable and accrued expenses are stated at cost and are recognized liabilities for goods and services rendered to the City as of September 30.

NOTE F – RELATED PARTY TRANSACTIONS

Payments were made in significant amounts to the following related party entities during the fiscal year. Most of these payments were in accordance with Memorandums of Understanding to provide facilities, equipment, materials and services for programs to ARTEC Charter School students, as well as reimbursements of direct costs.

Affiliated School Districts	
Buhl School District #412	85,195
Cassia School District #151	402,865
Gooding School District #231	156,079
Jerome School District #261	107,938
Kimberly School District #414	118,373
Minidoka School District #331	271,255
Twin Falls School District #	<u>336,396</u>
	<u><u>1,478,101</u></u>

NOTE H – INCOME TAXES

The Organization is a non-profit organization and has obtained exemption from federal and state income taxes under I.R.C. Section 501 (c)(3) and related Idaho State code provisions. Accordingly, no provision for income taxes has been made in the financial statements.

ARTEC CHARTER SCHOOL

COMBINING BALANCE SHEET JUNE 30, 2008

	<u>General</u>	<u>TTL V Charter Startup Grant</u>	<u>TTL V Charter Sub Grant</u>	<u>ITCL Tech Fund</u>	<u>Total</u>
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	165,712	3,843	-	1,979	171,534
Receivables:					
State of Idaho	22,593	-	-	-	22,593
Federal	-	25,069	782	-	25,851
Interfund Loan Receivable	282	1,200	-	-	1,482
 Total Assets	 <u>188,587</u>	 <u>30,112</u>	 <u>782</u>	 <u>1,979</u>	 <u>221,460</u>
<u>Liabilities:</u>					
Accounts Payable	45,394	30,112	500	118	76,124
Salaries and Contracts Payable	-	-	-	-	-
Interfund Loan Payable	1,200	-	282	-	1,482
Deferred Revenue	-	-	-	1,861	1,861
 Total Liabilities	 46,594	 30,112	 782	 1,979	 79,467
<u>Fund Balances:</u>					
Unreserved, Undesignated	141,993	-	-	-	141,993
 Total Fund Balances	 <u>141,993</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>141,993</u>
 Total Liabilities and Fund Balances	 <u>188,587</u>	 <u>30,112</u>	 <u>782</u>	 <u>1,979</u>	 <u>221,460</u>

See independent auditor's report on other financial information.

ARTEC CHARTER SCHOOL

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDING JUNE 30, 2008

	<u>General</u>	<u>TTL V Charter Startup Grant</u>	<u>TTL V Charter Sub Grant</u>	<u>ITCL Tech Fund</u>	<u>Total</u>
Revenues:					
Earnings on Investments	4,003	-	-	-	4,003
Other Local Revenue	107	-	-	-	107
State	1,440,332	-	-	3,179	1,443,511
Federal	-	125,411	782	-	126,193
	<u>1,444,442</u>	<u>125,411</u>	<u>782</u>	<u>3,179</u>	<u>1,573,814</u>
Total Revenues					
Expenditures:					
Instruction:					
Secondary	1,320,288	43,422	-	-	1,363,710
Support Services:					
Instruction Improvement	1,545	81,989	782	3,023	87,339
Board of Education	1,153	-	-	-	1,153
District Administration	3,519	-	-	-	3,519
School Administration	70,403	-	-	-	70,403
Business Operation	10	-	-	-	10
Buildings Operation and Maintenance	6,558	-	-	156	6,714
	<u>1,403,476</u>	<u>125,411</u>	<u>782</u>	<u>3,179</u>	<u>1,532,848</u>
Total Expenditures					
Excess (Deficit) Revenues Over Expenditures	40,966	-	-	-	40,966
Fund Balance at Beginning of Year	101,027	-	-	-	101,027
Fund Balance at End of Year	<u>141,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,993</u>

See independent auditor's report on other financial information.

ARTEC CHARTER SCHOOL

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GENERAL FUND - BUDGET AND ACTUAL FOR THE YEAR ENDING JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Earnings on Investments	-	4,500	4,003	(497)
Other Local Revenue	-	-	107	107
State	1,191,700	1,439,900	1,440,332	432
Total Revenues	1,191,700	1,444,400	1,444,442	42
<u>Expenditures:</u>				
<u>Instruction:</u>				
Secondary	1,165,200	1,362,301	1,320,288	42,013
<u>Support Services:</u>				
Instruction Improvement	50,000	2,700	1,545	1,155
Board of Education	5,000	2,800	1,153	1,647
District Administration	63,500	94,999	3,519	91,480
School Administration	5,000	74,100	70,403	3,697
Business Operation	500	-	10	(10)
Buildings Operation and Maintenance	2,500	8,500	6,558	1,942
Total Expenditures	1,291,700	1,545,400	1,403,476	141,924
Excess (Deficit) Revenues Over Expenditures	(100,000)	(101,000)	40,966	141,966
Fund Balance at Beginning of Year	100,000	101,000	101,027	27
Fund Balance at End of Year	0	0	141,993	141,993

See independent auditor's report on other financial information.

ARTEC CHARTER SCHOOL

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ITCL TECH FUND - BUDGET AND ACTUAL FOR THE YEAR ENDING JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
State	-	5,000	3,179	(1,821)
Total Revenues	-	5,000	3,179	(1,821)
<u>Expenditures:</u>				
<u>Support Services:</u>				
Instruction Improvement	-	4,500	3,023	1,477
Buildings Operation and Maintenance	-	500	156	344
Total Expenditures	-	5,000	3,179	1,821
Excess (Deficit) Revenues Over Expenditures	-	-	-	-
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

See independent auditor's report on other financial information.

ARTEC CHARTER SCHOOL

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TTL V CHARTER STARTUP GRANT - BUDGET AND ACTUAL FOR THE YEAR ENDING JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Federal	-	150,000	125,411	(24,589)
Total Revenues	-	150,000	125,411	(24,589)
<u>Expenditures:</u>				
<u>Instruction:</u>				
Secondary	-	53,200	43,422	9,778
<u>Support Services:</u>				
Instruction Improvement	-	96,800	81,989	14,811
Total Expenditures	-	150,000	125,411	24,589
Excess (Deficit) Revenues Over Expenditures	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

See independent auditor's report on other financial information.

ARTEC CHARTER SCHOOL

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TTL V CHARTER SUB GRANT - BUDGET AND ACTUAL FOR THE YEAR ENDING JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Federal	-	35,249	782	(34,467)
Total Revenues	-	35,249	782	(34,467)
<u>Expenditures:</u>				
Support Services:	-	-	-	
Instruction Improvement	-	35,249	782	34,467
Total Expenditures	-	35,249	782	34,467
Excess (Deficit) Revenues Over Expenditures	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

See independent auditor's report on other financial information.



Management Letter

ARTEC Charter School
Rupert, Idaho 83350

In planning and performing our audit of the basic financial statements of the ARTEC Charter School for the year ended June 30, 2008, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that are not considered significant deficiencies, but are recommendations for improving internal controls or operational efficiencies.

Expenditures

A refund of registration fees in the amount of \$1,200 was received due to the cancellation of a seminar. These funds were credited to the General Fund rather than the Startup Grant Fund where the original expenditures were recorded. Care must be taken to properly credit all funds, particularly when federal grant funding is affected.

This report is intended solely for the information and use of the Board of Directors, management, and others within the administration.

A handwritten signature in cursive script that reads 'Condie Stoker Robins'.

Condie, Stoker & Robins, CPA's

October 13, 2008