

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the ARTEC Charter School, a component of Advanced Regional Technical Education, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2016 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

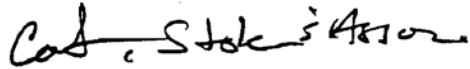
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ARTEC Charter School as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ARTEC Charter School's internal control over financial reporting and compliance.



Condie Stoker & Associates, CPAs
Rupert, Idaho

October 12, 2016



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the ARTEC Charter School, a component of Advanced Regional Technical Education, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ARTEC Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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. Accordingly, we do not express an opinion on the effectiveness of ARTEC Charter School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Condie, Stoker & Associates, CPAs
October 12, 2016

ARTEC CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION JUNE 30, 2016

Assets:

Cash and Cash Equivalents (Note B)	287,115
Receivables:	
State of Idaho (Note C)	<u>51,877</u>
Total Assets	<u><u>338,992</u></u>

Liabilities

Deferred Revenue (Note K)	<u>10,524</u>
Total Liabilities	10,524

Net Position

Unrestricted General Fund	<u>328,468</u>
Total Net Position	<u><u>328,468</u></u>

See accompanying notes to financial statements.

ARTEC CHARTER SCHOOL

STATEMENT OF ACTIVITIES FOR THE YEAR ENDING JUNE 30, 2016

Revenues:

Earnings on Investments	726
Other Local Revenue	188
State	<u>1,589,948</u>
Total Revenues	1,590,862

Expenditures:

Instruction:

Secondary	1,425,172
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Support Services:

Instruction Improvement	26,094
Instructional Technology	5,413
Board of Education	2,416
District Administration	38,998
School Administration	100,108
Buildings Operation and Maintenance	<u>6,918</u>

Total Expenditures	<u>1,605,119</u>
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Net Change in Net Position	(14,257)
Net Position at Beginning of Year	<u>342,725</u>
Net Position at End of Year	<u><u>328,468</u></u>

See accompanying notes to financial statements.

ARTEC CHARTER SCHOOL

STATEMENT OF CASH FLOW FOR THE YEAR ENDING JUNE 30, 2016

Cash Flow From Operating Activities

Change in Net Assets	(14,257)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) Decrease in accounts receivable (deferred revenue)	<u>(96)</u>
Cash Flow Provided (Used) By Operating Activities	<u>(14,353)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(14,353)
Cash and Cash Equivalents at Beginning of Year	<u>301,468</u>
Cash and Cash Equivalents at End of Year	<u><u>287,115</u></u>

See accompanying notes to financial statements.

ARTEC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 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 \$250,000. At June 30, the company had uninsured cash balances as follows:

		Book Balance		
	Bank Balance	Collateralized or FDIC Insured & Held in the District's Name	Uncollateralized, Uninsured, or Unregistered & Held in the District's Name	Total
D L Evans Bank	377,262	250,000	37,115	287,115

NOTE C - STATE RECEIVABLE

This represents the final 2015-2016 apportionment receivable of State funds for the Organization.

NOTE D - LIABILITIES

Vouchers payable and accrued expenses (when applicable) are stated at cost and are recognized liabilities for goods and services rendered to the Organization as of June 30.

NOTE E – 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	71,164
Cassia School District #151	371,921
Dietrich School District #314	63,635
Gooding School District #231	79,174
Jerome School District #261	94,071
Kimberly School District #414	81,295
Minidoka School District #331	419,703
Twin Falls School District #411	<u>396,294</u>
	<u><u>1,577,257</u></u>

NOTE F – 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.

The federal income tax returns of the organization are subject to examination by the IRS, generally for three years after they were filed.

NOTE G – SUBSEQUENT EVENTS

As of October 12, 2016, the date the financial statements were issued, the Organization did not have any significant subsequent events that need to be disclosed.

SELECTED OTHER SUPPLEMENTARY INFORMATION

ARTEC CHARTER SCHOOL

COMBINING STATEMENT OF FINANCIAL POSITION JUNE 30, 2016

	<u>General</u>	<u>Substance Abuse</u>	<u>ITCL Tech Fund</u>	<u>Total</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	276,591	4,602	5,922	287,115
Receivables:				
State of Idaho	<u>51,877</u>	-	-	<u>51,877</u>
Total Assets	<u>328,468</u>	<u>4,602</u>	<u>5,922</u>	<u>338,992</u>
<u>Liabilities:</u>				
Deferred Revenue	-	<u>4,602</u>	<u>5,922</u>	<u>10,524</u>
Total Liabilities	-	4,602	5,922	10,524
<u>Fund Balances:</u>				
Designated for Subsequent Year	260,000	-	-	260,000
Unreserved, Undesignated	<u>68,468</u>	-	-	<u>68,468</u>
Total Fund Balances	<u>328,468</u>	-	-	<u>328,468</u>
Total Liabilities and Fund Balances	<u>328,468</u>	<u>4,602</u>	<u>5,922</u>	<u>338,992</u>

See independent auditor's report on other financial information.

ARTEC CHARTER SCHOOL

COMBINING STATEMENT OF ACTIVITIES FOR THE YEAR ENDING JUNE 30, 2016

	<u>General</u>	<u>ISEE Grant</u>	<u>ITCL Tech Fund</u>	<u>Total</u>
Revenues:				
Earnings on Investments	726	-	-	726
Other Local Revenue	188	-	-	188
State	1,583,838	697	5,413	1,589,948
Total Revenues	1,584,752	697	5,413	1,590,862
Expenditures:				
Instruction:				
Secondary	1,425,172	-	-	1,425,172
Support Services:				
Instruction Improvement	25,397	697	-	26,094
Instructional Technology	-	-	5,413	5,413
Board of Education	2,416	-	-	2,416
District Administration	38,998	-	-	38,998
School Administration	100,108	-	-	100,108
Buildings Operation and Maintenance	6,918	-	-	6,918
Total Expenditures	1,599,009	697	5,413	1,605,119
Excess (Deficit) Revenues Over Expenditures	(14,257)	-	-	(14,257)
Fund Balance at Beginning of Year	342,725	-	-	342,725
Fund Balance at End of Year	328,468	-	-	328,468

See independent auditor's report on other financial information.

ARTEC CHARTER SCHOOL

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY GENERAL FUND - BUDGET AND ACTUAL FOR THE YEAR ENDING JUNE 30, 2016

	<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	1,000	1,000	726	(274)
Other Local Revenue	-	-	188	188
State	1,554,000	1,571,400	1,583,838	12,438
Total Revenues	1,555,000	1,572,400	1,584,752	12,352
<u>Expenditures:</u>				
<u>Instruction:</u>				
Secondary	1,592,000	1,562,400	1,425,172	137,228
<u>Support Services:</u>				
Instruction Improvement	42,000	84,000	25,397	58,603
Board of Education	-	3,500	2,416	1,084
District Administration	117,000	159,000	38,998	120,002
School Administration	92,000	99,200	100,108	(908)
Buildings Operation and Maintenance	7,000	7,000	6,918	82
Total Expenditures	1,850,000	1,915,100	1,599,009	316,091
Excess (Deficit) Revenues Over Expenditures	(295,000)	(342,700)	(14,257)	328,443
Fund Balance at Beginning of Year	295,000	342,700	342,725	25
Fund Balance at End of Year	0	0	328,468	328,468

See independent auditor's report on other financial information.

ARTEC CHARTER SCHOOL

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY ITCL TECH FUND - BUDGET AND ACTUAL FOR THE YEAR ENDING JUNE 30, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
State	<u>6,000</u>	<u>8,200</u>	<u>5,413</u>	<u>(2,787)</u>
Total Revenues	<u>6,000</u>	<u>8,200</u>	<u>5,413</u>	<u>(2,787)</u>
<u>Expenditures:</u>				
Support Services:				
Instructional Technology	<u>6,000</u>	<u>8,200</u>	<u>5,413</u>	<u>2,787</u>
Total Expenditures	<u>6,000</u>	<u>8,200</u>	<u>5,413</u>	<u>2,787</u>
Excess (Deficit) Revenues Over Expenditures	-	-	-	-
Fund Balance at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at End of Year	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

See independent auditor's report on other financial information.

ARTEC CHARTER SCHOOL

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY ISEE PROFESSIONAL DEVELOPMENT GRANT - BUDGET AND ACTUAL FOR THE YEAR ENDING JUNE 30, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
State	-	700	697	(3)
Total Revenues	-	700	697	(3)
<u>Expenditures:</u>				
Instruction:				
Support Services:	-	-	-	
Instruction Improvement	-	700	697	3
Total Expenditures	-	700	697	3
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.