

STUDENTS IN THE ARTS TV/G-STAR TV, INC.

COMPONENT UNIT
FINANCIAL STATEMENTS

JUNE 30, 2008

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The Board of Directors
Students in the Arts TV/G-Star TV, Inc.
West Palm Beach, Florida

INDEPENDENT AUDITORS' REPORT

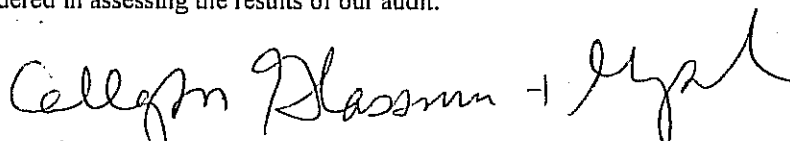
We have audited the accompanying component unit basic financial statements of governmental activities and each major fund of Students in the Arts TV/G-Star TV, Inc. ("School") a component unit of the School District of Palm Beach County, Florida as of and for the year ended June 30, 2008, which collectively comprise of the School's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards 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 component unit financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit 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 component unit financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School at June 30, 2008, and the respective changes in financial position for the year ended in conformity with generally accepted accounting principles in the United States of America.

The management's discussion and analysis and the budgetary comparison information on pages 2 through 6 and 18 are not required parts of the basic financial statements, but are supplementary information required by the generally accepted accounting principles in the United States of America. We have applied certain limited procedures, which consisted principally or inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued a report dated September 28, 2008, on our consideration of School's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and the result 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.


CERTIFIED PUBLIC ACCOUNTANTS

SEPTEMBER 28, 2008

Students in the Arts TV/G Star TV, Inc.
Transmittal Page
June 30, 2008

September 28, 2008

The G-Star School of the Arts for Motion Picture Broadcasting Board of Directors and Administration are responsible for the contents of this report. The G-Star School of the Arts was formed as a Florida Non-Profit Corporation in September, 1998. The school began as a summer training program in TV Production for middle school students and converted into a charter school May 2003. The charter school facility has been located at 2030 S. Congress Ave., West Palm Beach, Florida, since its inception. The property is almost a mile long and has two addresses. The second address is the now the main address: 2065 Prairie Rd., Bldg J, West Palm Beach, and Fl. 33406. We are open to all interested high school students, ages 14 to 18 years old, in Palm Beach County. Charter schools are public, which are managed and owner by private non-profit corporations. Charter schools are open to all students who reside in Palm Beach County and are free educational institutions.

The G-Star School of the Arts is a complete college prep school; it is the largest film, TV production, and acting high school in the nation; it is the only high school in the world to have a motion picture studio on campus. The school's efforts are directed towards improving the education and quality of life of our students. We are committed to the continuous improvement of every student through use of best practice program and models, and our students consistently demonstrate substantial progress each year. Parental involvement and satisfaction is an integral part of the success of our school. Many parents are involved in the school through the Parent Teacher Student Organization. Parents volunteer their time as Board Members, committee and project leaders, as well as in fund raising events.

The G-Star School of the Arts ended our fifth year as a charter school with a very strong financial statement and we have continued to increase our enrollment to our maximum 760 student capacity. We currently have a waiting list for student for next school year.

Sincerely,

Greg Hauptner
Founder/CEO/CFO

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Students In The Arts TV/G-Star TV, Inc. ("School") is a public charter School operated in Palm Beach County, Florida, under the sponsorship of the School District of Palm Beach County.

Within the section of the School's annual financial report, the School's management provides narrative discussion and analysis of the financial activities of the School for fiscal year ended June 30, 2008. This discussion is provided within the context of the accompanying financial statements. The discussion includes the entire School operations. There are no proprietary funds, no fiduciary funds and no component units.

Overview of the Financial Statements

The Management's Discussion and Analysis introduces the School's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The School also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The School's annual report includes two government-wide financial statements. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting. This includes financial statements prepared on a full accrual accounting, and notes to the financial statements.

The first financial statement in the Statement of Net Assets that includes all of the School's assets and liabilities, with the difference reported as net assets.

The second financial statement is the Statement of Activities that includes all current year revenue and expenses. It explains how the School's net asset changed during the fiscal year.

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements.

Both government-wide financial statements distinguish governmental activities of the School that are principally supported by intergovernmental revenues, such as grants.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The School uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the School's most significant funds.

Governmental Fund

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the School's government funds. These are useful in evaluating annual financing requirements of governmental programs and the commitment of expendable resources for the near term.

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2008

Financial Analysis of the School

The School's net assets decreased by \$1,817,467 to \$1,154,456 in 2008

Total net assets are comprised of the following:

Invested in capital assets, net related of debt	\$(322,668)
Restricted	926,778
Unrestricted	550,346

Primary, all of the School's revenue is received through the sponsor and generally was provided by the State of Florida. The revenue per student each year is determined by the State of Florida and paid to the School based upon the student counts on certain dates in October and February of the fiscal year.

FEFP and other revenue from School District were based upon the number of students in the current fiscal year.

The summary of the School government-wide statement of net assets is as follows:

Condensed Statement of Net Assets
Governmental Activities
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Current and Other Assets	\$ 1,619,905	\$ 2,224,632	\$(604,727)
Capital Assets	<u>4,859,136</u>	<u>4,743,375</u>	<u>115,761</u>
Total Assets	<u>6,479,041</u>	<u>6,968,007</u>	<u>(488,966)</u>
Current Liabilities	197,781	235,762	37,981
Long-term Debt	<u>5,126,804</u>	<u>4,914,778</u>	<u>(212,026)</u>
Total Liabilities	<u>5,324,585</u>	<u>5,150,540</u>	<u>(174,045)</u>
Net Assets	<u>\$ 1,154,456</u>	<u>\$ 1,817,467</u>	<u>\$ (663,011)</u>
Invested in Capital Assets, Net of Related Debt	\$(322,668)	\$(221,403)	\$(101,265)
Restricted	926,778	978,001	(51,223)
Unrestricted	<u>550,346</u>	<u>1,060,869</u>	<u>(510,523)</u>
	<u>\$ 1,154,456</u>	<u>\$ 1,817,467</u>	<u>\$ (663,011)</u>

STUDENTS IN THE ARTS TV/G-STAR, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
JUNE 30, 2008

CONDENSED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED 2008 AND 2007

	2008	2007	CHANGE
PROGRAM REVENUES:			
CHARGE FOR SERVICES	\$ 101,967	\$ 89,638	\$ 12,329
CAPITAL GRANT AND CONTRIBUTION	457,386	672,964	(215,578)
GENERAL REVENUES:			
FEFP FEES	4,417,415	4,191,548	225,867
LEAD PROGRAM	10,496	-	10,496
IDEA	41,955	-	41,955
GRANTS AND CONTRIBUTIONS NOT RESTRICTED	-	-	-
IN-KIND CONTRIBUTIONS	-	-	-
INTEREST	46,141	56,480	(10,339)
RENT	121,097	156,210	(35,113)
OTHER GENERAL REVENUE	30,201	10,087	20,114
TOTAL REVENUES	5,226,658	5,176,927	49,731
FUNCTIONS/PROGRAMS EXPENSES:			
INSTRUCTION SERVICES	2,569,319	2,126,546	442,773
INSTRUCTIONAL SUPPORT	37,018	-	37,018
INSTRUCTIONAL MEDIA	416,727	293,772	122,955
INSTRUCTIONAL STAFF TRAINING BOARD	15,682	29,624	(13,942)
	3,883	-	3,883
ADMINISTRATIONAL	1,066,740	854,200	212,540
TRANSPORTATION	316,450	197,876	118,574
FISCAL	128,336	113,533	14,803
OPERATION AND MAINTENANCE	622,739	426,103	196,636
DEBT SERVICES - PRINCIPAL	55,100	-	55,100
DEBT SERVICES - INTEREST	346,087	-	346,087
FACILITY ACQUISITION AND CONSTRUCTION	270,099	99,408	170,691
OTHER	41,489	97,188	(55,699)
TOTAL EXPENSES	5,889,669	4,238,250	1,651,419
CHANGES IN NET ASSETS	(663,011)	938,677	(1,601,688)
NET ASSETS - JULY 1, 2008 AND 2007	1,817,467	878,790	938,677
NET ASSETS - JUNE 30, 2007 AND 2007	\$ 1,154,456	\$ 1,817,467	\$ (663,011)

PROPRIETARY FUNDS

PROPRIETARY FUNDS ARE REPORTED IN THE FUND FINANCIAL STATEMENTS AND GENERALLY REPORT SERVICES FOR WHICH THE SCHOOL CHARGES A FEE. FOR FISCAL YEAR ENDED JUNE 30, 2008, THE SCHOOL DID NOT HAVE PROPRIETARY FUNDS.

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2008

FINANCIAL ANALYSIS OF THE MAJOR FUNDS

GOVERNMENTAL FUNDS

GENERAL FUND

The general fund is the operating fund. It recognized \$5,226,658 in total revenues offset with \$5,580,566 expenditures and \$-0- transfer out. This resulted in an excess of expenditures over revenues. Fund balance at the beginning of the year was \$1,817,467 and when combined with the current year resulted in an end of year fund balance of \$1,182,869.

DEBT SERVICE FUND

Debt service fund received \$-0- from bonds proceed and \$346,087 in interest offset with \$346,087 expenditures.

CAPITAL ASSETS

As of June 30, 2008, the School had \$4,859,136 invested in capital assets, as reflected below.

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Land	\$ 1,456,929	\$ 1,074,758	\$ 382,171
Building	2,435,683	2,833,462	(397,779)
Leasehold Improvements	688,445	637,918	50,527
Office Equipment and Fixtures	708,828	503,084	205,744
Bus Transportation	<u>64,000</u>	<u>73,032</u>	<u>(9,032)</u>
	5,353,885	5,122,254	231,631
Less: Accumulated Depreciation	<u>494,749</u>	<u>378,879</u>	
Net	<u>\$ 4,859,136</u>	<u>\$ 4,743,375</u>	

STUDENTS IN THE ARTS TV/G-STAR, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2008

	GOVERNMENTAL ACTIVITIES
ASSETS	
CASH	\$ 247,015
ACCOUNTS RECEIVABLE	43,768
RESTRICTED CASH	926,778
OTHER	4,565
BOND ISSUE COSTS	397,779
CAPITAL ASSETS	4,859,136
TOTAL ASSETS	\$ 6,479,041
LIABILITIES	
ACCRUED EXPENSES	\$ 39,257
ACCRUED SALARIES	103,524
CURRENT MATURITIES OF LONG TERM DEBT	55,000
LONG TERM DEBT	5,126,804
TOTAL LIABILITIES	5,324,585
NET ASSETS	
INVESTED CAPITAL ASSETS, NET RELATED OF DEBT	(322,668)
RESTRICTED	926,778
UNRESTRICTED	550,346
TOTAL NET ASSETS	\$ 6,479,041

Please Read the Accompanying Independent Auditors' Report and Notes to the Financial Statements

STUDENTS IN THE ARTS TVG-STAR, INC.
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

PROGRAM ACTIVITIES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS	
	EXPENSES	CHANGE FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES					
INSTRUCTIONAL SERVICES	\$ 2,569,319	\$ 101,967	\$ 78,100		\$ (2,389,252)
INSTRUCTIONAL SUPPORT SERVICES	37,018				(37,018)
INSTRUCTIONAL MEDIA SERVICES	416,727				(416,727)
INSTRUCTIONAL STAFF TRAINING	15,682				(15,682)
BOARD	3,883				(3,883)
SCHOOL ADMINISTRATION	1,066,740			457,386	(1,066,740)
FACILITIES ACQUISITION AND CONSTRUCTION	270,099				187,287
FISCAL SERVICES	128,336				(128,336)
CENTRAL SERVICES	41,489				(41,489)
PUPIL TRANSPORTATION SERVICES	316,450				(316,450)
OPERATION OF PLANT	622,739				(622,739)
MAINTENANCE OF PLANT	-				-
DEBT SERVICES - PRINCIPAL	55,100				(55,100)
DEBT SERVICES - INTEREST	346,087				(346,087)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 5,889,669	\$ 101,967	\$ 78,100	\$ 457,386	\$ (5,252,216)
GENERAL REVENUES					
FEFP FEES					4,417,415
LEAD PROGRAM					-
IDEA					-
GRANTS AND CONTRIBUTIONS NOT RESTRICTED					-
INTEREST					46,141
RENTAL INCOME					121,097
OTHER					4,552
TOTAL GENERAL REVENUES					4,589,205
CHANGE IN NET ASSETS					(663,011)
NET ASSETS - BEGINNING					1,817,467
NET ASSETS - ENDING					\$ 1,154,456

The Accompanying Notes Are An Integral Part of These Financial Statements

STUDENTS IN THE ARTS TV/G-STAR, INC.
 RECONCILIATION OF THE BALNCE SHEET
 OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF NET ASSETS
 YEAR ENDED JUNE 30, 2008

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$	1,182,869
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERNENT BECAUSE:		
CAPITAL OUTLAY OF \$5,353,885, NET OF ACCUMULATED DEPRECIATION OF \$494,749, ARE NOT FINANCIAL RESOURECES AND THEREFORE ARE NOT REPORTED IN THE FUNDS		4,859,136
BOND ISSUE COSTS AMORTIZATION		397,779
NONCURRENT PAYABLES THAT DOES NOT USE CURRENT RESOURCES TO PAY FOR THEM		(103,524)
BONDS PAYABLE AND MORTGAGES ARE NOT DUE IN THE CURRENT PERIOD AND THEREFORE ARE NOT REPORTED		<u>(5,181,804)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>1,154,456</u>

The Accompanying Notes Are an Integral Part of These Financial Statements

STUDENTS IN THE ARTS TV/G-STAR, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECT	TOTAL GOVERNMENTAL FUNDS
ASSETS				
CASH	\$ 247,015		\$ 926,778	\$ 1,173,793
ACCOUNTS RECEIVABLE	43,768			43,768
OTHER	4,565			4,565
TOTAL ASSETS	\$ 295,348	\$ -	\$ 926,778	\$ 1,222,126
LIABILITIES				
ACCOUNTS PAYABLE	\$ 39,257			\$ 39,257
SECURITY DEPOSIT	-			-
TOTAL LIABILITIES	39,257			39,257
FUND EQUITY				
RESTRICTED		-		
UNRESTRICTED	256,091		926,778	1,182,869
TOTAL NET ASSETS	\$ 295,348	\$ -	\$ 926,778	\$ 1,222,126

The Accompanying Notes are an Integral Part of These Financial Statements

STUDENTS IN THE ARTS TV/G-STAR, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECT	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
FEEP FEES	\$ 4,417,415	\$ -	\$ -	\$ 4,417,415
CAPITAL GRANT AND CONTRIBUTION	457,386			457,386
LEAD PROGRAM	10,496			10,496
IDEA	41,955			41,955
GRANTS AND CONTRIBUTIONS	-			-
CHARGE FOR SERVICES	101,967			101,967
INTEREST	46,141			46,141
RENTAL INCOME	121,097			121,097
LOAN PROCEEDS	-		218,250	218,250
OTHER	30,201			30,201
TOTAL REVENUES	5,226,658	-	218,250	5,444,908
EXPENDITURES:				
INSTRUCTIONAL SERVICES	2,569,319			2,569,319
INSTRUCTIONAL SUPPORT SERVICES	37,018			37,018
INSTRUCTIONAL MEDIA SERVICES	416,727			416,727
INSTRUCTIONAL STAFF TRAINING	15,682			15,682
BOARD	3,883			3,883
SCHOOL ADMINISTRATION	1,066,740			1,066,740
FACILITIES ACQUISITION AND CONSTRUCTION	497,474			497,474
FISCAL SERVICES	128,336			128,336
CENTRAL SERVICES	41,489			41,489
PUPIL TRANSPORTATION SERVICES	316,450			316,450
OPERATION OF PLANT	622,739			622,739
MAINTENANCE OF PLANT	-			-
DEBT SERVICES - PRINCIPAL	55,100			55,100
DEBT SERVICES - INTEREST	336,962			336,962
TOTAL EXPENDITURES	6,107,919	-	-	6,107,919
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(881,261)	-	218,250	(663,011)
OTHER FINANCING SOURCES (USES):				
OPERATING TRANSFER IN (OUT)	-			-
TOTAL OTHER FINANCING SOURCES				
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER FINANCING EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(881,261)	-	218,250	(663,011)
FUND BALANCE - JULY 1, 2007	1,338,954	257,149	(14,790)	1,581,313
FUND BALANCE - JUNE 30, 2008	\$ 457,693	\$ 257,149	\$ 203,460	\$ 918,302

The Accompanying Notes are an Integral Part of These Financial Statements

STUDENTS IN THE ARTS TV/G-STAR, INC.
 RECONCILIATION OF THE STATEMENT OF
 REVENUE, EXPENDITURES AND CHANGES
 IN THE FUND BALANCE OF GOVERNMENTAL
 FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENT FUNDS	\$ (1,180,375)
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:	
GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAY AND BOND ISSUE COSTS AS EXPENDITURES. HOWEVER, IN THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS, THE COSTS OF THOSE ASSETS IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AS DEPRECIATION AND AMORTIZATION EXPENSES. THIS IS THE AMOUNT BY WHICH CAPITAL ASSETS \$586,209 EXCEEDED DEPRECIATION EXPENSES OF (\$161,345) AND AMORTIZATION OF (\$0) IN THE CURRENT YEAR.	424,864
DEBT SERVICE PAYMENTS OF PRINCIPAL	55,100
PAYMENTS OF NONCURRENT ACCOUNTS PAYABLE WITH CURRENT FUNDS	37,400
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ (663,011)

The Accompanying Notes are an Integral Part of These Financial Statements

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Students in the Arts TV/G-Star, TV, Inc. (“School”) was organized in Palm Beach County, Florida in September 1988 to operate a School to inspire at-risk young people, minority students, and middle school and high school students to stay in school and continue on to one of the country’s many TV and film training programs.

The School operates under Florida Statutes Section 228.056(7) as a Charter School Contract with the School District of Palm Beach County, Florida (the School Board). The School is a tax-exempt organization under 501(C) (3).

The Charter requires the School Board to provide the School’s primary source of funding based upon the number of full-time equivalent students registered at the School.

The School is a component unit of School District Palm Beach County, Florida.

Reporting Entity – The School’s financial reporting consists of:

Government-Wide Financial Statements – The government-wide financials statements include the statement of net assets and the statement of activities. These statements report financial information of the School as a whole.

The statement of activities report the expenses of a given function offset by program revenues directly connected with the functional program. A function is a assembly of similar activities and may include positions of a fund or summarize more than one fund to capture the expense and program revenues associated with the Board functional activity. Program revenues include: (1) charges for services which report fees and other charges, (2) operating grants and contributions which finance annual operating activities including restricted investment income, and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these programs uses.

Fund Financial Statements

Fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds.

Measure Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the School are prepared in accordance with generally accepted accounting principles in the United States. The reporting entity applies all relevant Government Accounting Standards Board pronouncements. The government-wide financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinion issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Government Accounting Standards Board pronouncements, in which case, Government Accounting Standards Board prevails.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measure Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental funds financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: intergovernmental revenues, and interest income.

Major Funds

General Fund – The General Fund is the general operating fund. It is used to account for all current financial resources except those required to be accounted for in another fund of the School.

Debt Service Fund – Debt service is used to account for the accumulation of resources for the repayment of long-term debt principal and interest.

Capital Project Fund – Used to account for the resources segregated for the acquisition or construction of designed capital assets except those financed by equity funds.

Capital assets, Depreciation and Amortization

The School's property, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements.

The School generally capitalizes assets with cost of \$250 or more as outlay occur. The costs of normal maintenance and repairs that do not add to the asset value a materiality extend useful lives are expensed. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operation. Estimated useful lives, in years, for depreciable assets are as follows:

Building	40 Years
Improvements	20 Years
Furniture, Fixture and Equipment	5 Years

Budgetary

Budget to actual comparison are reflected in the accompanying financial statements for general fund type which the School has adopted for its operations. The School adopts its budget on a basis consistent with Generally Accepted Accounting Principles in the United States.

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States 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 financial statements and reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

NOTE B – SCHOOL DISTRICT OF PALM BEACH COUNTY

The Charter School has an agreement with the School District of Palm Beach County, Florida to operate Charter School. The Charter School receives funding from the School District of Palm Beach County, Florida based on the projected number of full-time equivalent (FTE) students. The number of students attending the School for the year ending June 30, 2008, was 611.

NOTE C – CAPITAL ASSETS

Changes in capital assets during the year ended June 30, 2008 were as follows:

	<u>Balance</u> <u>07/01/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/08</u>
Land	\$1,074,758	382,171	-	\$1,456,929
Building	2,833,462	-	397,779	2,435,683
Leasehold Improvements	637,918	50,527	-	688,445
Office Equipment and Fixtures	503,084	205,744	-	708,828
Bus Transportation	<u>73,032</u>	<u>-</u>	<u>9,032</u>	<u>64,000</u>
	5,122,254	638,442	406,811	5,353,885
Less: Accumulated Depreciation	<u>378,879</u>	<u>115,870</u>	<u>-</u>	<u>494,749</u>
Net	<u>\$4,743,375</u>	<u>\$ 522,572</u>	<u>\$406,811</u>	<u>\$4,859,136</u>

Depreciation expense and amortization for year ended June 30, 2008, was \$115,870.

NOTE D – CERTIFICATE OF DEPOSIT

The School holds a certificate of deposit for \$26,161 which matures August 9, 2007 with provision for automatic renewal. The interest rate on the deposit is 2.18%. Interest is compounded daily.

NOTE E – UNINSURED CASH BALANCE

The School maintains its cash balances at one major financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2008, the Organization's uninsured cash balances totaled \$247,015. Management feels they are not at risk.

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2008

NOTE F – GENERAL LONG-TERM DEBT

On December 1, 2005, Bonds series 2005A and 2005B, tax-exempt and taxable revenue bonds were issued in amount of \$4,455,000 and \$500,000, with maturity date May 15, 2035 and May 15, 2014, and interest rate set at 6.75% and 7.00% respectively. The bonds were issued to finance the acquisition and improvement of School property. The bonds are secured by School property and the annual debt service requirements of School are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 50,000	\$ 335,713	\$ 385,713
2007	55,000	332,212	387,212
2008	60,000	328,363	388,363
2009	65,000	324,162	389,162
2010	70,000	319,613	389,613
2011-2015	420,000	1,520,288	1,940,288
2016-2020	595,000	1,354,050	1,949,050
2021-2025	830,000	1,123,875	1,953,250
2026-2030	1,150,000	803,250	1,953,250
2031-2035	<u>1,660,000</u>	<u>329,400</u>	<u>1,989,400</u>
	<u>\$ 4,955,000</u>	<u>\$ 6,770,926</u>	<u>\$ 11,725,926</u>

Long-term liability changes for the year ended June 30, 2008 were as follows:

Balance – July 1, 2007	\$ 4,905,000
Principal Payments	(55,000)
Balance – June 30, 2008	<u>\$ 4,850,000</u>

The bond resolution requires the establishment of the following accounts:

<u>Account</u>	<u>Purpose</u>
Sinking Account	To accumulate sufficient funds to meet maturing debt service requirements through transfers from the operating account.
Renewal and Replacement	To accumulate funds for the purpose of paying for the cost of Improvement, repair and maintenance of the building.

Cash is restricted for these purposes.

STUDENTS IN THE ARTS TV/G-STAR TV, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

NOTE G - CONTINGENCIES

The School receives funding through the School District of Palm Beach, Florida, that is based in part on a computation of the number of full time equivalent ("FTE") students enrolled. The accuracy of data compiled supporting the FTE count is subject to audit, and if found to be in error, could result in refunds or in decreases in future funding allocations. It is the opinion, of management that the amount of revenue, which may be remitted back due to errors in the FTE count, if any, will not be material to the financial position of the School. In addition, the continued operation of the School is depended upon an agreement with School District of Palm Beach, Florida.

NOTE H - RISK MANAGEMENT

The School is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the School carries commercial insurance.

STUDENTS IN THE ARTS TV/G-STAR, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2008

	BUDGET ORIGINAL/ FINAL	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:			
FEEP FEES	\$ 4,108,730	\$ 4,417,415	\$ 308,685
CAPITAL GRANT AND CONTRIBUTION		457,386	
LEAD PROGRAM		10,496	10,496
IDEA		41,955	41,955
GRANTS AND CONTRIBUTIONS NOT RESTRICTED	660,000	-	(660,000)
CHARGE FOR SERVICES		101,967	101,967
INTEREST		46,141	46,141
RENTAL INCOME	130,000	121,097	(8,903)
OTHER		30,201	30,201
TOTAL REVENUES	4,898,730	5,226,658	(129,458)
EXPENDITURES:			
INSTRUCTIONAL SERVICES	3,074,050	2,569,319	(504,731)
INSTRUCTIONAL SUPPORT SERVICES	36,000	37,018	1,018
INSTRUCTIONAL MEDIA SERVICES	14,600	416,727	402,127
INSTRUCTIONAL STAFF TRAINING	20,000	15,682	(4,318)
BOARD	-	3,883	3,883
SCHOOL ADMINISTRATION	478,150	1,066,740	588,590
FACILITIES ACQUISITION AND CONSTRUCTION	40,500	497,474	456,974
FISCAL SERVICES	30,000	128,336	98,336
CENTRAL SERVICES	-	41,489	41,489
PUPIL TRANSPORTATION SERVICES	73,600	316,450	242,850
OPERATION OF PLANT	567,000	622,739	55,739
MAINTENANCE OF PLANT	-	-	-
DEBT SERVICES - PRINCIPAL	-	55,100	55,100
DEBT SERVICES - INTEREST	5,850	336,962	331,112
TOTAL EXPENDITURES	4,339,750	6,107,919	1,768,169
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	558,980	(881,261)	
OTHER FINANCING SOURCES (USES):			
OPERATING TRANSFER IN (OUT)	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER FINANCING EXPENDITURES AND OTHER FINANCING SOURCES (USES)	558,980	(881,261)	-
FUND BALANCE - JULY 1, 2007	-	1,338,954	-
FUND BALANCE - JUNE 30, 2008	558,980	457,693	-

The Accompanying Notes are an Integral Part of These Financial Statements

CALLAGHAN GLASSMAN & MARGOLIS, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

7369 SHERIDAN STREET, SUITE 201
HOLLYWOOD, FLORIDA 33024

TELEPHONE (954) 986-4780
TELEFAX (954) 981-7912

INDEPENDENT AUDITORS'
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
Students in the Arts TV/G-Star TV, Inc.
West Palm Beach, Florida

We have audited the financial statements of the governmental activities and each major fund of Students In the Arts TV/G-Star TV, Inc. ("School") as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 28, 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 the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal controls that might be a material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements are caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

This report is intended solely for the information and use of the Board of Directors, Management, the State of Florida, Office of the Auditor General, School District of Palm Beach County, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Colleen Blaszczak + Myr

September 28, 2008

MANAGEMENT LETTER

To the Board of Directors
Students in the Arts TV/G-Star TV, Inc.
West Palm Beach, Florida

We have audited the financial statements of Students in the Arts TV/G-Star, Inc. ("School") as of and for the year ended June 30, 2008, and have issued our report thereon dated September 28, 2008.

We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting based on the audit of the financial statements performed in accordance with Government Auditing Standards, dated September 28, 2008, and it should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and require that certain items addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. There were no recommendations made in the preceding audit report.

As required by the Rules of the Auditor General (Section 10.554(1)(h)2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the School complied with Section 218.415, Florida Statutes.

The Rules of Auditor General (Section 10.544(1)(h)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such findings.

The Rules of Auditor General (Section 10.544(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs and are not clearly consequential: (1) violations of laws, rules, regulations and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (eg., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to attention of the auditor. There are no items requiring disclosure.

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As required by the Rules of the Auditor General (Section 10.554(1)(h)6.a), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Sections 10.554(h)6.c. and 10.556(7)), we applied financial assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information and use of Board Members, Management, and the State of Florida Office of the Auditor General, School District of Palm Beach County, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



September 28, 2008

AUDITOR GENERAL
DISTRICT SCHOOL BOARD AND CHARTER SCHOOL
AUDIT REPORT SUBMITTAL CHECKLIST
(SECTION 218.39, FLORIDA STATUTES)

DSB/Charter School Entity Name: STUDENTS IN THE ARTS TU/G-STAR TU INC.
 DSB/Charter School Address: 2030 SOUTH CONGRESS AVENUE
WEST PALM BEACH FLORIDA 33404

DSB/Charter School E-Mail Address: GregHauptn@aol.com

DSB/Charter School Contact Person:
 Name Greg Hauptner
 Title CEO
 Phone Number 561-386-6275

CPA or Other (if applicable):
 Name Gary Glassman
 Address 7369 Sheridan Street, Suite 201, Hollywood, FL 33024
 Phone Number 954 986-4780

Fiscal Year Audited June 30, 2018

Date Auditor Delivered Audit Report to the DSB or Charter School _____

Does the audit report include the following items required by Auditor General Rules 10.806(2) or 10.856(2), as applicable:

- Financial statements, as described in Auditor General Rules 10.805(3) and 10.855(3)-(5) and (7), as applicable, together with related notes to financial statements?
- Required supplementary information such as the Management's Discussion and Analysis?
- The auditor's report on the financial statements?
- The auditor's report on internal control and compliance?
- If applicable, the auditor's reports and related financial information required pursuant to the Federal *Single Audit Act Amendments of 1996*, OMB Circular A-133, or other applicable Federal law?

The management letter defined in Auditor General Rules 10.804(1)(f) and 10.854(1)(e), as applicable?

NA The written statement of explanation or rebuttal required by Auditor General Rules 10.807(1) and 10.857(2), as applicable?

For district school boards that had an impact fee adopted by ordinance on their behalf, an "affidavit" signed and sworn to by the Chief Financial Officer before an officer authorized to administer oaths (e.g., notary public) stating that the ordinance complied with the requirements of Section 163.31801, Florida Statutes.

In addition to the above, have the following requirements been complied with:

Are two paper copies and one electronic copy of the audit report being submitted as required by Auditor General Rules 10.807(3) and 10.857(4), as applicable?

Was the audit report submitted within 45 days after receipt of the audit report from the auditor, but no later than 12 months after the end of the fiscal year?
NOTE: There are no provisions in the statutes for any extensions for filing the audit report.

This checklist should accompany the audit report. It is suggested that you retain a copy of the checklist for your files. Do not hesitate to contact this office if assistance or clarification is needed regarding reporting requirements. Our address, telephone, and fax numbers are as follows:

Auditor General
Claude Pepper Building, Room G72
111 West Madison Street
Tallahassee, Florida 32399-1450

Telephone: (850) 488-0960
Fax: (850) 414-7488
Contact Person: David Ward
Email Address: flaudgen_dsb_charter@myfl.state.fl.us
Web site Address: www.myflorida.com/audgen