

NORTH STAR CHARTER SCHOOL, INC.

Report on Audited
Basic
Financial Statements
and
Additional Information

For the Year Ended June 30, 2017

Table of Contents

	<u>Page</u>
Independent Auditor's Report	4
 BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	9
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	14
Statement of Fiduciary Net Position	15
Statement of Changes in Fiduciary Net Position	16
Notes to Financial Statements	17
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary (GAAP Basis) Comparison Schedule:	
General	34
Capital Projects	35
Technology	36
Notes to Required Supplementary Information	37

Table of Contents
(continued)

	<u>Page</u>
Schedule of the Charter's Proportionate Share of the Net Pension Liability	38
Schedule of Charter Contributions	39
SUPPLEMENTAL INFORMATION	
Supplemental Schedule of Expenditures by Object Expenditure – Budget (GAAP Basis) and Actual – General Fund	40
Combining Balance Sheet – Nonmajor Special Revenue Funds	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	44
FEDERAL REPORTS	
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 <i>Governmental Auditing Standards</i>	45
Schedule of Findings	47
Management's Response to Findings	48



Millington Zwygart

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
North Star Charter School, Inc.
Eagle, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Star Charter School, Inc. (the Charter), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements as listed in the table of contents.

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

Basis for Qualified Opinion on Governmental Activities

Management has not performed the actuarial calculations for other post-employment benefits for the governmental activities and, accordingly, has not considered the Charter's other post-employment benefit liability. Accounting principles generally accepted in the United States of America require that a liability be recorded for other post-employment benefits, which would decrease net assets, increase liabilities, and increase expenses in the governmental activities. The amount by which this departure would affect net assets, liabilities, and expenses in the governmental activities is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of North Star Charter School, Inc., as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of North Star Charter School, Inc., as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of the Charter's proportionate share of the Net Pension Liability, and schedule of Charter contributions on pages 34 to 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United State of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Star School, Inc.’s basic financial statements. The supplemental schedule of expenditures by object of expenditure – budget (GAAP basis) and actual – General fund and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures by object of expenditure – budget (GAAP basis) and actual – General fund and combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of expenditures by object of expenditure – budget (GAAP basis) and actual – General fund and the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic 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 18, 2017, on our consideration the Charter’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 the Charter’s internal control over financial reporting and compliance.

Millington Zwysart CPAs, PLLC

Caldwell, Idaho
October 18, 2017

North Star Charter School, Inc.
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 416,000
Receivables, Net:	
Intergovernmental	220,232
Prepaid Items	1,895
Due from Agency Funds	6,000
Restricted Cash	300,206
Capital Assets:	
Land and Construction in Progress	1,173,949
Buildings, Net	4,940,116
Equipment, Net	280,189
Improvements, Net	1,105,390
Total Capital Assets	7,499,644
Total Assets	8,443,977
 Deferred Outflows	
Pension Related Items	1,563,999
Total Deferred Outflows	1,563,999
 Liabilities	
Accounts Payable	77,982
Salaries and Benefits Payable	296,400
Prepaid Registration Fees	9,225
Accrued Interest	211,313
Long-Term Liabilities:	
Due within One Year	
Compensated Absences	18,472
Bonds and Notes Payable	55,000
Due in More Than One Year	
Accrued Interest	954,334
Bonds and Notes Payable	12,038,156
Net Pension Liability	2,032,856
Total Liabilities	15,693,738
 Deferred Inflows	
Pension Related Items	664,868
Total Deferred Inflows	664,868
 Net Position	
Invested in Capital Assets, Net of Related Debt	(5,759,159)
Restricted for Special Revenue	589,909
Unrestricted Surplus (Deficit)	(1,181,380)
Total Net Position	\$ (6,350,630)

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

North Star Charter School, Inc.
Statement of Activities
For the Year Ended June 30, 2017

	Program Revenues			Net (Expense)
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Governmental Activities
Primary Government:				
Governmental Activities:				
Instruction	\$ 3,847,960	\$ -	\$ 78,992	\$ -
Support Services	2,073,102	-	144,900	-
Interest on Long-Term Debt	747,951	-	-	-
Total Governmental Activities	\$ 6,669,013	\$ -	\$ 223,892	\$ -
General Revenues:				
				6,058,260
State and Federal Sources				4,406
Other				(4,073)
Gain/(Loss) on Sale of Assets				6,058,593
Total General Revenues and Special Items				(386,528)
Change in Net Position				(5,948,650)
Net Position, Beginning of Year - Previous				(15,452)
Prior Period Adjustment				(5,964,102)
Net Position, Beginning of Year - Restated				\$ (6,350,630)

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

North Star Charter School, Inc.
Balance Sheet -
Governmental Funds
June 30, 2017

	General	Debt Service	Capital Projects
Assets			
Cash and Cash Equivalents	\$ 126,297	\$ -	\$ 128,397
Receivables, Net:			
Intergovernmental	220,232	-	-
Prepaid Items	1,895	-	-
Due from Agency Funds	6,000	-	-
Interfund Balance	1,238	-	-
Restricted Cash with Fiscal Agent	-	300,206	-
Total Assets	\$ 355,662	\$ 300,206	\$ 128,397
 Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 77,982	\$ -	\$ -
Salaries and Benefits Payable	296,400	-	-
Interfund Balances	-	-	-
Prepaid Registration Fees	9,225	-	-
Total Liabilities	383,607	-	-
 Fund Balances:			
Nonspendable	1,895	-	-
Restricted	-	300,206	128,397
Unassigned	(29,840)	-	-
Total Fund Balances	(27,945)	300,206	128,397
Total Liabilities and Fund Balances	\$ 355,662	\$ 300,206	\$ 128,397

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

North Star Charter School, Inc.
 Balance Sheet -
 Governmental Funds (continued)
 June 30, 2017

	Technology	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 76,704	\$ 84,602	\$ 416,000
Receivables, Net:			
Intergovernmental	-	-	220,232
Prepaid Items	-		1,895
Due from Other Funds	-	-	6,000
Interfund Balance	-	-	1,238
Restricted Cash with Fiscal Agent	-	-	300,206
Total Assets	\$ 76,704	\$ 84,602	\$ 945,571
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ -	\$ -	\$ 77,982
Salaries and Benefits Payable	-	-	296,400
Interfund Balances	-	1,238	1,238
Prepaid Registration Fees	-	-	9,225
Total Liabilities	-	1,238	384,845
Fund Balances:			
Nonspendable	-	-	1,895
Restricted	76,704	84,602	589,909
Unassigned	-	(1,238)	(31,078)
Total Fund Balances	76,704	83,364	560,726
Total Liabilities and Fund Balances	\$ 76,704	\$ 84,602	\$ 945,571

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

North Star Charter School, Inc.
 Reconciliation of the Balance Sheet of the Governmental Funds
 to the Statement of Net Position
 June 30, 2017

Total Fund Balances - Governmental Funds \$ 560,726

Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. Those assets consist of:

Land and Construction in Process	\$ 1,173,949	
Buildings, Net of \$1,204,310 Accumulated Depreciation	4,940,116	
Equipment, Net of \$591,805 Accumulated Depreciation	280,189	
Improvements, Net of \$494,656 Accumulated Depreciation	<u>1,105,390</u>	
Total Capital Assets		7,499,644

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are deferred in the funds. Long-term liabilities at year end consist of:

Accrued Interest on Long-term Debt	\$ (1,165,647)	
Bonds Payable	<u>(12,093,156)</u>	
Total Long-Term Debt		(13,258,803)
Compensated Absences		(18,472)

The District participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of Net Position.

Net Pension Liability	\$ (2,032,856)	
Pension Related Deferred Inflows	(664,868)	
Pension Related Deferred Outflows	<u>1,563,999</u>	
		<u>(1,133,725)</u>

Total Net Position-Governmental Activities \$ (6,350,630)

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

North Star Charter School, Inc.
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2017

	General	Debt Service	Capital Projects
Revenues			
State Sources	\$ 5,778,756	\$ -	\$ -
Federal Sources	-	-	-
Grants and Contributions	83,992	-	139,900
Other	4,319	87	-
Total Revenues	<u>5,867,067</u>	<u>87</u>	<u>139,900</u>
Expenditures			
Current:			
Instruction	3,612,445	-	-
Support Services	1,658,046	-	-
Debt Service:			
Principal	-	50,000	-
Interest	-	424,162	-
Bond Fees	-	3,695	-
Capital Outlay	100,578	-	11,503
Total Expenditures	<u>5,371,069</u>	<u>477,857</u>	<u>11,503</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>495,998</u>	<u>(477,770)</u>	<u>128,397</u>
Other Financing Sources (Uses)			
Transfer In	100,000	496,453	-
Transfer Out	(631,653)	-	-
Total Other Financing Sources (Uses)	<u>(531,653)</u>	<u>496,453</u>	<u>-</u>
Net Change in Fund Balances	(35,655)	18,683	128,397
Fund Balances - Beginning	7,710	281,523	-
Fund Balances - Ending	<u>\$ (27,945)</u>	<u>\$ 300,206</u>	<u>\$ 128,397</u>

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

North Star Charter School, Inc.
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds (continued)
For the Year Ended June 30, 2017

	Technology	Other Governmental Funds	Total Governmental Funds
Revenues			
State Sources	\$ 69,803	\$ 73,690	\$ 5,922,249
Federal Sources	-	136,011	136,011
Grants and Contributions	-	-	223,892
Other	-	-	4,406
Total Revenues	<u>69,803</u>	<u>209,701</u>	<u>6,286,558</u>
Expenditures			
Current:			
Instruction	58,022	137,249	3,807,716
Support Services	-	90,980	1,749,026
Debt Service:			
Principal	-	-	50,000
Interest	-	-	424,162
Bond Fees	-	-	3,695
Capital Outlay	-	-	112,081
Total Expenditures	<u>58,022</u>	<u>228,229</u>	<u>6,146,680</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>11,781</u>	<u>(18,528)</u>	<u>139,878</u>
Other Financing Sources (Uses)			
Transfer In	45,200	90,000	731,653
Transfer Out	<u>(30,000)</u>	<u>(70,000)</u>	<u>(731,653)</u>
Total Other Financing Sources (Uses)	<u>15,200</u>	<u>20,000</u>	<u>-</u>
Net Change in Fund Balances	26,981	1,472	139,878
Fund Balances - Beginning	49,723	81,892	420,848
Fund Balances - Ending	<u>\$ 76,704</u>	<u>\$ 83,364</u>	<u>\$ 560,726</u>

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

North Star Charter School, Inc.
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of the
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2017

Total Net Change in Fund Balance - Governmental Funds \$ 139,878

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	\$	38,772	
Gain/(Loss) on Sale of Assets		(4,073)	
Depreciation		<u>(274,621)</u>	
			(239,922)

Accrued interest on long-term debt (323,789)

Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Bonds Payable 50,000

Compensated Absences (3,020)

The District participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of Net Position. The changes in the Net Pension Liability and the related deferred inflows and outflows does not affect the governmental funds, but are reported in the Statement of Activities.

(9,675)

Change in Net Position of Governmental Activities \$ (386,528)

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

North Star Charter School, Inc.
Statement of Fiduciary Net Position
June 30, 2017

	Employee Flex Trust Fund	Student Activity Agency Fund	Total
Assets			
Cash	\$ 13,141	\$ 69,057	\$ 82,198
Receivables, Net:	-	6,568	6,568
Total Assets	\$ 13,141	\$ 75,625	\$ 88,766
Liabilities			
Due to Student Groups	\$ -	\$ 75,625	\$ 75,625
Due to General Fund	6,000	-	6,000
Total Liabilities	6,000	75,625	81,625
Net Position			
Held in trust for employee benefits	7,141	-	7,141
Total Liabilities and Net Position	\$ 13,141	\$ 75,625	\$ 88,766

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

North Star Charter School, Inc.
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2017

	Employee Flex Trust Fund
Additions	
Member Contributions	\$ 772
Total Additions	772
Deductions	
Claims Paid	1,189
Total Deductions	1,189
Changes in Net Position	(417)
Net Position - Beginning of Year	7,558
Net Position - End of Year	\$ 7,141

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

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

North Star Charter School, Inc. (the Charter) was organized on May 14, 2002, and is governed by a Board of Directors, which has responsibility and control over all activities related to public school education within the Charter. The accompanying financial statements present the activities of the Charter. The Charter receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the Charter is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the Charter's reporting entity does not contain any component units as defined in Governmental Accounting Standards.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the financial activities of the Charter. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through intergovernmental revenues and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Charter's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.
- Indirect expenses—expenses of the general government related to the administration and support of the Charter's programs, such as personnel and accounting (but not interest on long-term debt)—are allocated to programs based on their percentage of total primary government expenses. Interest expenses are allocated to the programs that manage the capital assets financed with long-term debt.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all state formula aid, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Charter's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

governmental funds are aggregated and reported as nonmajor funds.

The Charter reports the following major governmental funds:

- *General fund.* This is the Charter's primary operating fund. It accounts for all financial resources of the Charter, except those required to be accounted for in another fund.
- *Technology fund.* This fund accounts for the resources received and used from State Technology funds.
- *Debt Service fund.* This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.
- *Capital Projects fund.* This fund accounts for resources accumulated and payments made for long-term capital projects.

The Charter reports the following fiduciary fund types:

- *Employee Flex Trust fund.* This fund reports a trust arraignment under which principal and income benefit the employees flex accounts.
- *Student Activity agency fund.* This fund accounts for assets held by the Charter as an agent for various student groups and clubs.

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Charter receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Charter considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured.

General capital asset acquisitions are reported as expenditures in governmental funds. Transfers, proceeds of general long-term liabilities, and acquisitions under capital leases are reported under other financing sources and uses.

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Reporting and Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide Statement of Net Position and in the governmental fund Balance Sheet.

The Charter uses the following fund balance categories in the governmental fund Balance Sheet:

- *Nonspendable.* Balances, for example, in permanent funds, prepaid expenditures, and inventories that are permanently precluded from conversion to cash.
- *Restricted.* Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions.
- *Unassigned.* Balances available for any purpose.

The remaining fund balance classifications (committed and assigned) are either not applicable or no formal policy has yet been established to be able to utilize such classifications of fund balance. However, if there had been committed funds, these amounts would have been decided by the Board of Directors, the Charter's highest level of decision making authority, through a formal action. The Board of Directors would also have the authority to assign funds or authorize another official to do so.

Under the terms of grant agreements, the Charter funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position or fund balance available to finance the program. When both restricted and unrestricted resources are available for use, it is the Charter's intent to use restricted resources first, then unrestricted resources as they are needed.

There is also no formal policy regarding the use of committed, assigned, or unassigned fund balances. However, it is the Charter's intent that when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Charter considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

All special revenue funds are restricted by private outside parties, the federal government, or the State of Idaho and must be spent according to the stipulations of the private outside party or the corresponding federal or state program.

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets and Liabilities

Cash Equivalents

The Charter requires all cash belonging to the Charter to be placed in custody of the Business Manager. A "Pooled Cash" concept is therefore used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. The Charter considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents. See Note 2.

Receivables

All trade and intergovernmental receivables are shown net of an allowance for uncollectibles. The Charter believes all receivables are collectible, thus no allowance has been established.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are shown below.

	<u>Capitalization Policy</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$ 2,500	Straight-line	15-50 years
Equipment	\$ 2,500	Straight-line	2-20 years

An exception to the capitalization threshold includes assets acquired with debt. All of these assets are to be capitalized, regardless of cost.

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

The Charter has no infrastructure to report.

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The Charter provides vacation time to the full-time certified employees. The estimated amount of compensation for further amounts is believed to be immaterial and accordingly no liability has been recorded.

Accounts Payable

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

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH

Deposits

As of June 30, 2017, the carrying amount of the Charter's deposits was \$798,404 and the respective bank balances totaled \$768,523. \$500,000 of the bank balance was insured or collateralized with pooled securities held by the pledging institution in the name of the Charter.

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2017

2. CASH (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Charter’s deposits may not be returned. As of June 30, 2017, \$268,523 of the Charter's deposits were not covered by federal depository insurance or by collateral held by the Charter’s agent or pledging financial institution’s trust department or agent in the name of the Charter, and thus were exposed to custodial credit risk. The Charter does not have a formal policy limiting its exposure to custodial credit risk.

Investments

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

Idaho Code authorizes the Charter to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

However, the Charter did not have any investments as of June 30, 2017.

At year-end, the cash accounts were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 416,000	\$ 82,198	\$498,198
Restricted Cash	300,206	-	300,206
	\$ 716,206	\$ 82,198	\$798,404

3. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Charter expects such amounts, if any, to be immaterial.

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2017

4. RISK MANAGEMENT

The Charter is exposed to a considerable number of risks of loss including, but not limited to, a) damage to and loss of property and contents, b) employee torts, c) professional liabilities, i.e. errors and omissions, d) environmental damage, and e) worker's compensation, i.e. employee injuries. Commercial insurance policies are purchased to transfer the risk of loss for property and content damage, employee torts, and professional liabilities.

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance</u> <u>6/30/16</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/17</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated				
Land	\$ 1,162,200	\$ -	\$ -	\$ 1,162,200
Construction in Progress	-	11,749	-	11,749
Total Historical Cost	<u>1,162,200</u>	<u>11,749</u>	<u>-</u>	<u>1,173,949</u>
Capital Assets Being Depreciated				
Buildings	6,144,426	-	-	6,144,426
Improvements	1,586,496	13,550	-	1,600,046
Equipment	<u>1,077,297</u>	<u>13,473</u>	<u>(218,776)</u>	<u>871,994</u>
Total Historical Cost	<u>8,808,219</u>	<u>27,023</u>	<u>(218,776)</u>	<u>8,616,466</u>
Less: Accumulated Depreciation				
Buildings	1,050,699	153,611	-	1,204,310
Improvements	423,453	71,203	-	494,656
Equipment	<u>756,701</u>	<u>49,807</u>	<u>(214,703)</u>	<u>591,805</u>
Total Acc. Depr.	<u>2,230,853</u>	<u>274,621</u>	<u>(214,703)</u>	<u>2,290,771</u>
Net Depreciated Capital Assets	<u>6,577,366</u>	<u>(247,598)</u>	<u>(4,073)</u>	<u>6,325,695</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 7,739,566</u>	<u>\$ (235,849)</u>	<u>\$ (4,073)</u>	<u>\$ 7,499,644</u>

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

Governmental Activities:	
Support Services	<u>\$ 274,621</u>

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2017

6. LEASE COMMITMENTS

The Charter has an operating lease for copiers. None of the leases allow any subletting or assignments without prior written consent from the lessor. The lease requires monthly payments. Month-to-month payments may continue at the end of the lease terms for the copier.

The Charter also leases a modular building. The Charter does not intend to take possession of the unit at the completion of the lease. The lease is for two years and requires monthly payments of \$1,645.

Future minimum lease payments are as follows:

Year Ended June 30,	Amount
2018	\$ 29,998
2019	9,999
	<u>\$ 39,997</u>

Rent expenditures for the year ended June 30, 2017 totaled \$35,012.

7. INTERNAL BALANCES

Balance due between funds consisted of the following:

\$ 6,000	Due to the General fund from the Employee Flex Trust Fund representing short-term loan to cover start up costs.
<u>1,238</u>	Due to the General fund from Non-major funds representing cash over
<u>\$ 7,238</u>	

8. TRANSFERS TO/FROM OTHER FUNDS

Transfers between funds consisted of the following:

\$ 496,453	From the General fund to the Debt Service fund for debt service payments.
100,000	From nonmajor funds to the General fund to reimburse expenses
135,200	From General funds to other nonmajor funds to reimburse expenses.
<u>\$ 731,653</u>	

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2017

9. INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments consist of \$220,232, as a reimbursement from the State of Idaho for school support.

10. LONG TERM DEBT

Revenue Refunding Bonds

North Star Charter School, Inc. issued nonprofit facilities revenue bonds series 2009 in the amount of \$11,775,000 in March 2009. The bond proceeds were used to finance the construction of school facilities. Interest rates ranged from 9.00% to 10.25%. North Star Charter School, Inc. was not in compliance with some of the bond covenants and faced difficulties with debt service, and consequently these bonds were called in May 2014 and refunded by issuance of the following refunding bonds:

Series 2014A Nonprofit Facilities Revenue Refunding Bonds

Series 2014 B Nonprofit Facilities Revenue Refunding Capital Appreciation Subordinate Bonds

Series 2014 C Nonprofit Facilities Revenue Refunding Bonds

These bonds are secured by virtually all assets of North Star Charter School Inc. The Series 2014A and 2014C bonds are secured on a parity basis. The Series 2014B bonds were issued junior and subordinate to the other bonds.

The reacquisition price exceeded the net carrying amount of the old debt and accrued interest by \$128,775. This amount was paid out as issuance costs. The new debt issue results in an increase in future debt service requirements of approximately \$18,241,000 due in large part to compounding interest and no payments being required for the Series 2014B bonds until 2049. The new debt issues resulted in an economic gain of approximately \$4,440,000.

The first bond interest payments, on the Series A and Series C bonds, were due January 1, 2015 and subsequent payments are due each July 1 and January 1. The first bond principal payments, on the Series A and Series C bonds, is due July 1, 2016 and are due each July 1 thereafter.

The Series B bonds require no principal or interest payments until maturity in the year 2049. As a result, the Series B bonds will have no cash flow impact on operations until their maturity date.

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2017

10. LONG TERM DEBT (continued)

Long-term debt activity for the year ended June 30, 2017, is as follows:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u>	<u>Current</u>
Series 2014A	2048	6.75%	\$ 6,000,000	\$ -	\$ (10,000)	\$ 5,990,000	\$ 15,000
Series 2014B	2049	5.00%	5,798,156	-	-	5,798,156	-
Series 2014C	2024	6.00%	345,000	-	(40,000)	305,000	40,000
			<u>\$ 12,143,156</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ 12,093,156</u>	<u>\$ 55,000</u>

Debt service requirements (cash basis) on long-term debt at June 30, 2017, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 55,000	\$ 420,919	\$ 475,919
2019	55,000	417,506	472,506
2020	60,000	413,925	473,925
2021	65,000	410,006	475,006
2022	70,000	405,750	475,750
2023-2027	405,000	1,956,225	2,361,225
2028-2032	665,000	1,780,819	2,445,819
2033-2037	945,000	1,509,469	2,454,469
2038-2042	1,315,000	1,131,469	2,446,469
2043-2047	1,825,000	605,644	2,430,644
2048-2050	6,633,156	27,051,728	33,684,884
	<u>\$ 12,093,156</u>	<u>\$ 36,103,460</u>	<u>\$ 48,196,616</u>

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2017

11. LONG TERM DEBT (continued)

Interest expense for the year ended June 30, 2017 and the accrued interest payable at June 30, 2017 was as follows:

	Interest on Series 2014 A&C and B Bonds		
	Expense This Period	Total Paid	Total Accrued
Accrued Interest Payable as of June 30, 2016.			
Current - Series 2014 A & C Bonds	\$ -	\$ -	\$ 212,850
Deferred - Series 2014 B Bonds	-	-	629,008
Total Accrued Interest Payable at June 30, 2016	<u>-</u>	<u>-</u>	<u>841,858</u>
Interest Expensed for the Year Ended June 30, 2017.			
Current - Series 2014 A & C Bonds	422,625	424,162	(1,537)
Deferred - Series 2014 B Bonds	325,326	-	325,326
Total Interest Expensed for the Year Ended June 30, 2017	<u>\$ 747,951</u>	<u>\$ 424,162</u>	<u>\$ 323,789</u>

There was no interest capitalized during the period. However, all accrued interest expense on Series 2014 B bonds is not due or payable until the year 2049. Total accrued interest payable on the Series 2014 B bonds at June 30, 2017 of \$954,334, is due in 2049.

12. PENSION PLAN

Plan Description

North Star Charter School, Inc. contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2017

12. PENSION PLAN (continued)

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for the general employees and 72% for police and firefighters. As of June 30, 2016, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. North Star Charter School, Inc.'s contributions were \$367,439 the year ended June 30, 2017.

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2017

12. PENSION PLAN (continued)

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, North Star Charter School, Inc. reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. North Star Charter School, Inc.'s proportion of the net pension liability was based on North Star Charter School, Inc.'s share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2016, North Star Charter School, Inc.'s proportion was 0.1002813 percent.

For the year ended June 30, 2017, North Star Charter School, Inc. recognized pension expense/(revenue) of \$377,115. At June 30, 2017 North Star Charter School, Inc. reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 202,559
Changes in assumptions or other inputs	45,189	-
Net difference between projected and actual earnings on pension plan investments	989,432	462,309
Changes in the employer's proportionate share	161,939	-
North Star Charter School, Inc.'s contributions subsequent to the measurement date	367,439	-
Total	\$ 1,563,999	\$ 664,868

\$367,439 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2015, the beginning of the measurement period ended June 30, 2016, is 4.9 years and 5.5 for the measurement period June 30, 2015.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2017

12. PENSION PLAN (continued)

For the Year Ended June 30:	PERSI
2018	\$404,166
2019	36,728
2020	270,508
2021	164,438
2022	23,291

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 – 10.25%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expense
Cost-of-living	1%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

1. Set back 3 years for teachers
2. No offset for male fire and police
3. Forward one year for female fire and police
4. Set back one year for all general employees and all beneficiaries

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2016 is based on the results of an actuarial valuation date of July 1, 2016.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2017

12. PENSION PLAN (continued)

ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions.

Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2016.

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	90.00%	0%	0% - 5%
Total Fund	Expected Return	Expected Inflation	Expected Real	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%
* Expected arithmetic return net of fees and expenses				
Assumed Inflation - Mean				3.25%
Assumed Inflation - Standard Deviation				
Portfolio Arithmetic Mean Return				2.00%
Portfolio Standard Deviation				8.42%
Portfolio Long-Term Expected Geometric Rate of Return				7.50%
Assumed Investment Expenses				0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses				7.10%

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2017

12. PENSION PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Employer's proportionate share of the net pension liability	\$3,987,742	\$ 2,032,856	\$ 407,152

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2017

13. DEFICIT FUND BALANCES

The following funds had a deficit fund balance as of June 30, 2017:

<u>Fund</u>	<u>Balance</u>
General Fund	\$ (27,945)
Title VI-B	(710)
Drug Free	(528)

14. COMPENSATED ABSENCES

The District allows certain employees to accumulate earned but unused vacation time. If the employee was to leave this amount would be paid out to them. The accumulated unused vacation time for the year ended June 30, 2017 was:

	<u>June 30, 2016</u>	<u>Earned</u>	<u>Used</u>	<u>June 30, 2017</u>	<u>Current</u>
Governmental Activities	<u>\$ 15,452</u>	<u>\$ 13,962</u>	<u>\$(10,942)</u>	<u>\$ 18,472</u>	<u>\$ 18,472</u>

15. PRIOR PERIOD ADJUSTMENT

Compensated absences on the Government Wide statements were understated in prior years. This caused Net Position to be overstated. Net Position was restated in the current year as follows:

	<u>Governmental Activities</u>
Net Position, Beginning - As Previously Stated	\$ (5,948,650)
Increase(decrease) in Net Position due to misstated compensated absences	<u>(15,452)</u>
Net Position, Beginning - Restated	<u>\$ (5,964,102)</u>

REQUIRED SUPPLEMENTARY INFORMATION

North Star Charter School, Inc.
 Budgetary (GAAP Basis) Comparison Schedule
 General
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
State Sources	\$ 5,572,737	\$ 5,572,737	\$ 5,778,756	\$ 206,019
Grants and Contributions	-	-	83,992	83,992
Other	126,000	126,000	4,319	(121,681)
Total Revenues	<u>5,698,737</u>	<u>5,698,737</u>	<u>5,867,067</u>	<u>168,330</u>
Expenditures				
Current:				
Instruction	3,466,329	3,466,329	3,612,445	(146,116)
Support Services	1,463,673	1,463,673	1,658,046	(194,373)
Capital Outlay	54,366	54,366	100,578	(46,212)
Contingency Reserve	-	-	-	-
Total Expenditures	<u>4,984,368</u>	<u>4,984,368</u>	<u>5,371,069</u>	<u>(386,701)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>714,369</u>	<u>714,369</u>	<u>495,998</u>	<u>(218,371)</u>
Other Financing Sources (Uses)				
Transfers In	-	-	100,000	100,000
Transfers Out	-	-	(631,653)	(631,653)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(531,653)</u>	<u>(531,653)</u>
Net Change in Fund Balances	<u>714,369</u>	<u>714,369</u>	<u>(35,655)</u>	<u>(750,024)</u>
Fund Balances - Beginning	-	-	7,710	7,710
Fund Balances - Ending	<u>\$ 714,369</u>	<u>\$ 714,369</u>	<u>\$ (27,945)</u>	<u>\$ (742,314)</u>

North Star Charter School, Inc.
 Budgetary (GAAP Basis) Comparison Schedule
 Capital Projects
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
State Sources	\$ -	\$ -	\$ -	\$ -
Grants and Contributions	-	-	139,900	139,900
Other	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>139,900</u>	<u>139,900</u>
Expenditures				
Current:				
Instruction	-	-	-	-
Support Services	-	-	-	-
Capital Outlay	-	-	11,503	(11,503)
Contingency Reserve	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>11,503</u>	<u>(11,503)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>128,397</u>	<u>128,397</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	128,397	128,397
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,397</u>	<u>\$ 128,397</u>

North Star Charter School, Inc.
 Budgetary (GAAP Basis) Comparison Schedule
 Technology
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
State Sources	\$ -	\$ -	\$ 69,803	\$ 69,803
Grants and Contributions	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>69,803</u>	<u>69,803</u>
Expenditures				
Current:				
Instruction	-	-	58,022	(58,022)
Support Services	-	-	-	-
Capital Outlay	-	-	-	-
Contingency Reserve	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>58,022</u>	<u>(58,022)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>11,781</u>	<u>11,781</u>
Other Financing Sources (Uses)				
Transfers In	-	-	45,200	45,200
Transfers Out	-	-	(30,000)	(30,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>15,200</u>	<u>15,200</u>
Net Change in Fund Balances	-	-	26,981	26,981
Fund Balances - Beginning	-	-	49,723	49,723
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,704</u>	<u>\$ 76,704</u>

North Star Charter School, Inc.
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

1. BUDGETS AND BUDGETARY ACCOUNTING

The Charter follows these procedures in establishing the budgetary data reflected in the financial statements in future years:

- A. Prior to June 1, the Finance Director and the Board of Directors prepare a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted to obtain taxpayer comments.
- C. Prior to July 1, the budget is legally enacted through passage at a board meeting.
- D. Formal budgetary integration is employed as a management control device during the year for all the funds.
- E. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- F. Budgeted amounts are as originally adopted, or amended by the Board of Directors.

2. Expenditures in excess of appropriations

The General fund had expenditures in excess of appropriations in the amount of \$386,701.

The Capital Projects fund had expenditures in excess of appropriations in the amount of \$11,503.

The Technology fund had expenditures in excess of appropriations in the amount of \$58,022.

North Star Charter School, Inc.
 Schedule of the District's Proportionate Share of the
 Net Pension Liability

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Charter proportion of the net pension liability (asset)	0.1002813%	0.0958135%	0.0893739%
Charter's proportionate share of the net pension liability (asset)	\$ 2,032,856	\$ 1,261,708	\$ 657,932
Charter's covered-employee payroll	\$ 3,245,923	\$ 2,936,983	\$ 2,683,710
Charter's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	62.63%	42.96%	24.52%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	91.38%	94.95%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, North Star Charter School, Inc. will present information for those years for which information is available.

Data reported is measured as of June 30, 2016

North Star Charter School, Inc.
Schedule of District Contributions

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 367,439	\$ 332,467	\$ 303,796
Contributions in relation to the contractually required contribution	<u>367,439</u>	<u>332,467</u>	<u>303,796</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter's covered-employee payroll	\$ 3,245,923	\$ 2,936,983	\$ 2,683,710
Contributions as a percentage of covered-employee payroll	11.32%	11.32%	11.32%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, North Star Charter School, Inc. will present information for those years for which information is available.

Data reported is measured as of June 30, 2017

SUPPLEMENTAL INFORMATION

North Star Charter School, Inc.
Supplemental Schedule of Expenditures by Object of Expenditure -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 2017

	Budget	Actual	Variance
Instruction			
Elementary:			
Salaries	\$ 1,340,237	\$ 1,366,282	\$ (26,045)
Benefits	369,879	379,431	(9,552)
Services	-	2,209	(2,209)
Supplies	73,675	61,747	11,928
Capital Outlays	9,600	11,845	(2,245)
	<u>1,793,391</u>	<u>1,821,514</u>	<u>(28,123)</u>
Secondary:			
Salaries	1,254,271	1,223,385	30,886
Benefits	332,400	326,239	6,161
Services	-	-	-
Supplies	95,867	79,275	16,592
Capital Outlays	515	32,197	(31,682)
	<u>1,683,053</u>	<u>1,661,096</u>	<u>21,957</u>
Exceptional Child:			
Salaries	-	102,160	(102,160)
Benefits	-	68,687	(68,687)
Supplies	-	3,030	(3,030)
	<u>-</u>	<u>173,877</u>	<u>(173,877)</u>
Total Instruction	<u>3,476,444</u>	<u>3,656,487</u>	<u>(180,043)</u>
Support Services			
Special Services:			
Services	-	20,889	(20,889)
	<u>-</u>	<u>20,889</u>	<u>(20,889)</u>
Instruction Improvement:			
Services	1,118	198	920
	<u>\$ 1,118</u>	<u>\$ 198</u>	<u>\$ 920</u>

North Star Charter School, Inc.
Supplemental Schedule of Expenditures by Object of Expenditure -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 2017
(continued)

	Budget	Actual	Variance
Educational Media:			
Supplies	\$ 784	\$ -	\$ 784
	<u>784</u>	<u>-</u>	<u>784</u>
Board of Education:			
Services	23,800	24,190	(390)
Supplies	29,217	24,424	4,793
	<u>53,017</u>	<u>48,614</u>	<u>4,403</u>
District Administration:			
Salaries	481,242	570,653	(89,411)
Benefits	132,230	145,910	(13,680)
Services	118,359	83,824	34,535
Supplies	26,922	24,295	2,627
Capital Outlays	31,545	45,816	(14,271)
Fees	1,200	1,683	(483)
	<u>791,498</u>	<u>872,181</u>	<u>(80,683)</u>
Building Care:			
Salaries	62,041	58,231	3,810
Benefits	21,453	19,632	1,821
Services	78,329	83,873	(5,544)
Insurance	39,351	40,712	(1,361)
	<u>201,174</u>	<u>202,448</u>	<u>(1,274)</u>
Maintenance (Student Occupied):			
Services	58,027	114,497	(56,470)
Supplies	4,600	17,602	(13,002)
	<u>\$ 62,627</u>	<u>\$ 132,099</u>	<u>\$ (69,472)</u>

North Star Charter School, Inc.
 Supplemental Schedule of Expenditures by Object of Expenditure -
 Budget (GAAP Basis) and Actual - General Fund
 For the Year Ended June 30, 2017
 (continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Transportation Services	<u>\$ 385,000</u>	<u>\$ 427,433</u>	<u>\$ (42,433)</u>
	<u>385,000</u>	<u>427,433</u>	<u>(42,433)</u>
 Total Support Services	 <u>1,495,218</u>	 <u>1,703,862</u>	 <u>(208,644)</u>
 Non-Instruction			
Capital Assets - Student Occupied	<u>12,706</u>	<u>10,720</u>	<u>1,986</u>
 Total Expenditures	 <u><u>\$ 4,984,368</u></u>	 <u><u>\$ 5,371,069</u></u>	 <u><u>\$ (386,701)</u></u>

North Star Charter School, Inc.
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2017

	Building Maintenance	State Tobacco	Title VI-B	Drug Free	Total
Assets					
Cash	\$ 70,325	\$ 14,277	\$ -	\$ -	\$ 84,602
Receivables, Net:	-	-	-	-	-
Total Assets	<u>\$ 70,325</u>	<u>\$ 14,277</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,602</u>
Liabilities					
Interfund Balance	\$ -	\$ -	\$ 710	\$ 528	\$ 1,238
Salaries Payable	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>710</u>	<u>528</u>	<u>1,238</u>
Fund Balance					
Restricted	70,325	14,277	-	-	84,602
Unassigned	-	-	(710)	(528)	(1,238)
Total Fund Balances	<u>70,325</u>	<u>14,277</u>	<u>(710)</u>	<u>(528)</u>	<u>83,364</u>
Total Liabilities and Fund Balances	<u>\$ 70,325</u>	<u>\$ 14,277</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,602</u>

North Star Charter School, Inc.
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

	Building Maintenance	State Tobacco	Title VI-B	Drug Free	Total
Revenues					
State Sources	\$ 59,462	\$ 14,228	\$ -	\$ -	\$ 73,690
Federal Sources	-	-	136,011	-	136,011
Grants and Contributions	-	-	-	-	-
Total Revenues	<u>59,462</u>	<u>14,228</u>	<u>136,011</u>	<u>-</u>	<u>209,701</u>
Expenditures					
Current:					
Instruction					
Salaries	-	-	81,854	-	81,854
Benefits	-	-	5,289	-	5,289
Services	-	-	46,663	-	46,663
Supplies	-	-	2,915	528	3,443
Capital Outlay	-	-	-	-	-
Total Instruction	<u>-</u>	<u>-</u>	<u>136,721</u>	<u>528</u>	<u>137,249</u>
Support Services					
Salaries	0	600	-	-	600
Benefits	0	46	-	-	46
Services	90,000	-	-	-	90,000
Supplies	0	334	-	-	334
Total Support Services	<u>90,000</u>	<u>980</u>	<u>-</u>	<u>-</u>	<u>90,980</u>
Total Expenditures	<u>90,000</u>	<u>980</u>	<u>136,721</u>	<u>528</u>	<u>228,229</u>
Excess (Deficiency) of Revenues Over Expenditures					
	<u>(30,538)</u>	<u>13,248</u>	<u>(710)</u>	<u>(528)</u>	<u>(18,528)</u>
Other Financing Sources (Uses)					
Transfers In	90,000	-	-	-	90,000
Transfers Out	<u>(70,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(70,000)</u>
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Net Change in Fund Balances	(10,538)	13,248	(710)	(528)	1,472
Fund Balances - Beginning	80,863	1,029	-	-	81,892
Fund Balances - Ending	<u>\$ 70,325</u>	<u>\$ 14,277</u>	<u>\$ (710)</u>	<u>\$ (528)</u>	<u>\$ 83,364</u>

FEDERAL REPORTS



Millington Zwygart

CERTIFIED PUBLIC ACCOUNTANTS

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
North Star Charter School, Inc.
Eagle, Idaho

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 governmental activities, each major fund, and the aggregate remaining fund information of North Star Charter School, Inc., as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise North Star Charter School, Inc.'s basic financial statements and have issued our report thereon dated October 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Star Charter School, Inc.'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Star Charter School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of North Star Charter School, Inc.'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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings, that we consider to be significant deficiencies. [2017-001, 2017-002]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Star Charter School, Inc.'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Millington Zwysart CPAs, PLLC

Caldwell, Idaho
October 18, 2017

North Star Charter School, Inc.
Schedule of Findings
For the Year Ended June 30, 2017

2017-001: Material Audit Adjustments

Conditions – During the audit, we proposed multiple material adjustments to properly state assets, liabilities, revenues, and expenses for various funds. Our proposed adjustments were identified as a result of our audit procedures.

Criteria – North Star Charter School should design and implement internal controls to prevent and detect material misstatements to fund trial balances in a timely manner

Cause – The internal controls currently in place were not sufficient to identify material misstatements in various funds.

Effect – Several of the fund trial balances we received were materially misstated.

Recommendation – North Star Charter School should implement internal controls, which should include standard accounting and operating procedures, to ensure all balances in all funds are properly stated at year-end.

2017-002: Reconciliations

Conditions – During the audit, we found some bank accounts that were not being reconciled on a timely manner.

Criteria – North Star Charter School should design and implement internal controls to prevent and detect bank statements from not being reconciled timely.

Cause – The internal controls currently in place were not sufficient to identify bank statements that have not been reconciled to the trail balance.

Effect – This could cause misstatements to go undetected in the trial balance.

Recommendation – North Star Charter School should implement internal controls, which should include standard accounting and operating procedures, to ensure all bank statements are reconciled on a timely basis.

North Star Charter School, Inc.
Management's Response to Findings
For the Year Ended June 30, 2017

2017-001: Material Audit Adjustments

Management will look at the current controls and put controls in place to make sure that items are being recorded correctly in the accounting system to prevent misstatements on the trial balance from happening.

2017-002: Reconciliations

Management will put procedures in place to make sure that all banking accounts are reconciled monthly to the trail balance. Bank statements and reconciliations will be reviewed to make sure this is being completed.

If there are any questions to management's response to findings please contact North Star Charter School at (208) 939-9600