

NORTH STAR CHARTER SCHOOL, INC.

Report on Audited
Basic
Financial Statements
and
Additional Information

For the Year Ended June 30, 2019

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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, 2019, 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, 2019, 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, 2019, 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 29 to 33 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 September 30, 2019, 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.

Zwygart John & Associates, CPAs PLLC

Nampa, Idaho
September 30, 2019

North Star Charter School, Inc.
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 344,027
Receivables, Net:	
Intergovernmental	341,055
Restricted Cash	322,449
Capital Assets:	
Land and Construction in Progress	1,364,271
Buildings, Net	4,632,895
Equipment, Net	221,037
Improvements, Net	972,172
Total Capital Assets	7,190,375
Total Assets	8,197,906
 Deferred Outflows	
Pension Related Items	742,630
Total Deferred Outflows	742,630
 Liabilities	
Accounts Payable	165,240
Salaries and Benefits Payable	324,521
Prepaid Registration Fees	9,695
Accrued Interest	207,900
Long-Term Liabilities:	
Due within One Year	
Compensated Absences	16,901
Bonds and Notes Payable	60,000
Due in More Than One Year	
Accrued Interest	1,655,492
Bonds and Notes Payable	11,923,156
Net Pension Liability	1,505,882
Total Liabilities	15,868,787
 Deferred Inflows	
Pension Related Items	281,043
Total Deferred Inflows	281,043
 Net Position	
Invested in Capital Assets, Net of Related Debt	(4,792,781)
Restricted for Special Revenue	525,234
Unrestricted Surplus (Deficit)	(2,941,747)
Total Net Position	\$ (7,209,294)

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, 2019

		Program Revenues				Net (Expense) Revenue and Changes in Governmental Activities
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions		
Primary Government:						
Governmental Activities:						
Instruction	\$ 4,129,707	\$ 55,023	\$ 98,265	\$ -		\$ (3,976,419)
Support Services	2,352,363	-	22,988	103,702		(2,225,673)
Interest on Long-Term Debt	774,905	-	-	-		(774,905)
Total Governmental Activities	\$ 7,256,975	\$ 55,023	\$ 121,253	\$ 103,702		(6,976,997)
		General Revenues:				
						6,536,929
						42,966
						6,579,895
						(397,102)
						(6,812,192)
						\$ (7,209,294)

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

North Star Charter School, Inc.
Balance Sheet -
Governmental Funds
June 30, 2019

	General	Debt Service	Technology	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 125,836	\$ -	\$ 127,284	\$ 90,907	\$ 344,027
Receivables, Net:					
Intergovernmental	304,991	-	-	36,064	341,055
Interfund Balance	42,812	-	-	-	42,812
Restricted Cash with Fiscal Agent	-	322,449	-	-	322,449
Total Assets	<u>\$ 473,639</u>	<u>\$ 322,449</u>	<u>\$ 127,284</u>	<u>\$ 126,971</u>	<u>\$ 1,050,343</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 149,834	\$ 15,065	\$ -	\$ 341	\$ 165,240
Salaries and Benefits Payable	324,521	-	-	-	324,521
Interfund Balances	-	-	-	42,812	42,812
Prepaid Registration Fees	9,695	-	-	-	9,695
Total Liabilities	<u>484,050</u>	<u>15,065</u>	<u>-</u>	<u>43,153</u>	<u>542,268</u>
Fund Balances:					
Restricted	-	307,384	127,284	90,566	525,234
Unassigned	(10,411)	-	-	(6,748)	(17,159)
Total Fund Balances	<u>(10,411)</u>	<u>307,384</u>	<u>127,284</u>	<u>83,818</u>	<u>508,075</u>
Total Liabilities and Fund Balances	<u>\$ 473,639</u>	<u>\$ 322,449</u>	<u>\$ 127,284</u>	<u>\$ 126,971</u>	<u>\$ 1,050,343</u>

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, 2019

Total Fund Balances - Governmental Funds \$ 508,075

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	\$ 1,364,271	
Buildings, Net of \$1,511,531 Accumulated Depreciation	4,632,895	
Equipment, Net of \$682,808 Accumulated Depreciation	221,037	
Improvements, Net of \$643,873 Accumulated Depreciation	<u>972,172</u>	
Total Capital Assets		7,190,375

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	\$ (1,863,392)	
Bonds Payable	<u>(11,983,156)</u>	
Total Long-Term Debt		(13,846,548)

Compensated Absences (16,901)

The Charter 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	\$ (1,505,882)	
Pension Related Deferred Inflows	(281,043)	
Pension Related Deferred Outflows	<u>742,630</u>	
		<u>(1,044,295)</u>

Total Net Position-Governmental Activities \$ (7,209,294)

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, 2019

	General	Debt Service	Technology	Other Governmental Funds	Total Governmental Funds
Revenues					
State Sources	\$ 6,351,204	\$ -	\$ 158,079	\$ 27,646	\$ 6,536,929
Federal Sources	-	-	-	120,533	120,533
Grants and Contributions	720	-	-	103,702	104,422
Charges for Services	55,023	-	-	-	55,023
Other	37,780	5,186	-	-	42,966
Total Revenues	<u>6,444,727</u>	<u>5,186</u>	<u>158,079</u>	<u>251,881</u>	<u>6,859,873</u>
Expenditures					
Current:					
Instruction	4,091,326	-	-	115,063	4,206,389
Support Services	1,788,555	-	178,836	131,451	2,098,842
Debt Service:					
Principal	-	55,000	-	-	55,000
Interest	-	417,506	-	-	417,506
Capital Outlay	81,057	-	-	-	81,057
Total Expenditures	<u>5,960,938</u>	<u>472,506</u>	<u>178,836</u>	<u>246,514</u>	<u>6,858,794</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>483,789</u>	<u>(467,320)</u>	<u>(20,757)</u>	<u>5,367</u>	<u>1,079</u>
Other Financing Sources (Uses)					
Transfer In	25,377	474,154	-	-	499,531
Transfer Out	(474,154)	-	-	(25,377)	(499,531)
Total Other Financing Sources (Uses)	<u>(448,777)</u>	<u>474,154</u>	<u>-</u>	<u>(25,377)</u>	<u>-</u>
Net Change in Fund Balances	<u>35,012</u>	<u>6,834</u>	<u>(20,757)</u>	<u>(20,010)</u>	<u>1,079</u>
Fund Balances - Beginning - Previous Prior Period Adjustment	(148,214) 102,791	300,550 -	148,041 -	206,619 (102,791)	506,996 -
Fund Balances - Beginning - Restated	<u>(45,423)</u>	<u>300,550</u>	<u>148,041</u>	<u>103,828</u>	<u>506,996</u>
Fund Balances - Ending	<u>\$ (10,411)</u>	<u>\$ 307,384</u>	<u>\$ 127,284</u>	<u>\$ 83,818</u>	<u>\$ 508,075</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, 2019

Total Net Change in Fund Balance - Governmental Funds \$ 1,079

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	92,739	
Depreciation	<u>(270,786)</u>	(178,047)

Accrued interest on long-term debt (357,399)

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 55,000

Compensated Absences (5,484)

The Charter 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.

	<u>87,749</u>	
Change in Net Position of Governmental Activities		<u><u>\$ (397,102)</u></u>

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

North Star Charter School, Inc.
Statement of Fiduciary Net Position
June 30, 2019

	Employee Flex Trust Fund	Student Activity Agency Fund	Total
Assets			
Cash	\$ 2,611	\$ 190,844	\$ 193,455
Receivables, Net:	-	6,568	6,568
 Total Assets	 \$ 2,611	 \$ 197,412	 \$ 200,023
Liabilities			
Due to Student Groups	\$ -	\$ 197,412	\$ 197,412
Total Liabilities	-	197,412	197,412
Net Position			
Held in trust for employee benefits	2,611	-	2,611
 Total Liabilities and Net Position	 \$ 2,611	 \$ 197,412	 \$ 200,023

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, 2019

	Employee Flex Trust Fund
Additions	
Member Contributions	\$ -
Total Additions	-
Deductions	
Claims Paid	-
Total Deductions	-
Changes in Net Position	-
Net Position - Beginning of Year	2,611
Net Position - End of Year	\$ 2,611

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, 2019

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, 2019

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.

The Charter reports the following fiduciary fund types:

- *Employee Flex Trust fund.* This fund reports a trust arrangement 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, 2019

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 not applicable. 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, 2019

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 unrestricted cash and investment accounts in the accounting records. Under this method, all unrestricted 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. Funds held in the Bond Fund are not included in the pooled cash, as these are restricted funds. 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, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The Charter provides vacation time to the full-time non-certified employees. The amount outstanding as of June 30, 2019 is recorded on the Statement of Net Position as a non-current liability.

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, 2019, the carrying amount of the Charter's deposits was \$859,931 and the respective bank balances totaled \$936,506 . \$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, 2019

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, 2019, \$436,506 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, 2019.

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	\$ 344,027	\$ 193,455	\$ 537,482
Restricted Cash	322,449	-	322,449
	\$ 666,476	\$ 193,455	\$ 859,931

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, 2019

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>6/30/18</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/19</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated				
Land	\$ 1,162,200	\$ -	\$ -	\$ 1,162,200
Construction in Progress	<u>109,332</u>	<u>92,739</u>	<u>-</u>	<u>202,071</u>
Total Historical Cost	<u>1,271,532</u>	<u>92,739</u>	<u>-</u>	<u>1,364,271</u>
Capital Assets Being Depreciated				
Buildings	6,144,426	-	-	6,144,426
Improvements	1,616,045	-	-	1,616,045
Equipment	<u>903,845</u>	<u>-</u>	<u>-</u>	<u>903,845</u>
Total Historical Cost	<u>8,664,316</u>	<u>-</u>	<u>-</u>	<u>8,664,316</u>
Less: Accumulated Depreciation				
Buildings	1,357,920	153,611	-	1,511,531
Improvements	569,131	74,742	-	643,873
Equipment	<u>640,375</u>	<u>42,433</u>	<u>-</u>	<u>682,808</u>
Total Acc. Depr.	<u>2,567,426</u>	<u>270,786</u>	<u>-</u>	<u>2,838,212</u>
Net Depreciated Capital Assets	<u>6,096,890</u>	<u>(270,786)</u>	<u>-</u>	<u>5,826,104</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 7,368,422</u>	<u>\$ (178,047)</u>	<u>\$ -</u>	<u>\$ 7,190,375</u>

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

Governmental Activities:	
Support Services	<u>\$ 270,786</u>

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2019

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
2020	\$ 48,780
2021	35,140
2022	27,120
2023	13,440
	<u>\$ 124,480</u>

Rent expenditures for the year ended June 30, 2019 totaled \$51,586.

7. INTERNAL BALANCES

Balance due between funds consisted of the following:

\$ 6,748	Due to the General fund from Non-major funds representing cash overdrafts.
<u>\$ 6,748</u>	

8. TRANSFERS TO/FROM OTHER FUNDS

Transfers between funds consisted of the following:

\$ 474,154	From the General fund to the Debt Service fund for debt service payments.
25,377	From other nonmajor funds to the General Fund to reimburse expenses
<u>\$ 499,531</u>	

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2019

9. INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments consist of \$304,991, as a reimbursement from the State of Idaho for school support and \$36,064 of federal grant funds passed through the State of Idaho.

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 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, was 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, 2019

10. LONG TERM DEBT (continued)

Long-term debt activity for the year ended June 30, 2019, is as follows:

	Maturity Date	Interest Rate	Beginning	Increase	Decrease	Ending	Current
Series 2014A	2048	6.75%	\$ 5,975,000	\$ -	\$ (15,000)	\$ 5,960,000	\$ 20,000
Series 2014B	2049	5.00%	5,798,156	-	-	5,798,156	-
Series 2014C	2024	6.00%	265,000	-	(40,000)	225,000	40,000
			<u>\$ 12,038,156</u>	<u>\$ -</u>	<u>\$ (55,000)</u>	<u>\$ 11,983,156</u>	<u>\$ 60,000</u>

Debt service requirements (cash basis) on long-term debt at June 30, 2019, are as follows:

	Principal	Interest	Total
2020	\$ 60,000	\$ 413,925	\$ 473,925
2021	65,000	410,006	475,006
2022	70,000	405,750	475,750
2023	70,000	401,325	471,325
2024	75,000	396,713	471,713
2025-2029	490,000	1,897,313	2,387,313
2030-2034	775,000	1,683,281	2,458,281
2035-2039	1,080,000	1,372,950	2,452,950
2040-2044	1,500,000	941,625	2,441,625
2045-2049	2,000,000	345,263	2,345,263
2050-2050	5,798,156	26,996,884	32,795,040
	<u>\$ 11,983,156</u>	<u>\$ 35,265,035</u>	<u>\$ 47,248,191</u>

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2019

10. LONG TERM DEBT (continued)

Interest expense for the year ended June 30, 2019 and the accrued interest payable at June 30, 2019 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, 2018.			
Current - Series 2014 A & C Bonds	\$ -	\$ -	\$ 209,606
Deferred - Series 2014 B Bonds	-	-	1,296,386
Total Accrued Interest Payable at June 30, 2018	-	-	1,505,992
Interest Activity for the Year Ended June 30, 2019.			
Current - Series 2014 A & C Bonds	415,800	(417,506)	(1,706)
Deferred - Series 2014 B Bonds	359,105	-	359,105
Total Interest Activity for the Year Ended June 30, 2019	\$ 774,905	\$ (417,506)	\$ 1,863,391

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, 2019 of \$1,655,492, is due in 2049.

11. 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, 2019

11. 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. 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) that are adequate 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, 2018, 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 \$386,725 the year ended June 30, 2019.

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

At June 30, 2019, 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, 2018, 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, 2018, North Star Charter School, Inc.'s proportion was 0.1020925 percent.

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2019

11. PENSION PLAN (continued)

For the year ended June 30, 2019, North Star Charter School, Inc. recognized pension expense/(revenue) of \$298,974. At June 30, 2019 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	\$ 165,303	\$ 113,731
Changes in assumptions or other inputs	97,987	-
Net difference between projected and actual earnings on pension plan investments	-	167,312
Changes in the employer's proportionate share	92,614	-
North Star Charter School, Inc.s contributions subsequent to the measurement date	386,726	-
Total	\$ 742,630	\$ 281,043

\$386,725 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, 2020.

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, 2017, the beginning of the measurement period ended June 30, 2017, is 4.9 years and 4.8 for the measurement period June 30, 2018.

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:

For the Year Ended June 30:	PERSI
2020	\$ 543,796
2021	49,086
2022	(100,107)
2023	(31,188)

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2019

11. PENSION PLAN (continued)

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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases including inflation	3.75%
Investment rate of return	7.05%, net of investment expense
Cost-of-living adjustments	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, 2013 through June 30, 2017 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, 2013 through June 30, 2017. The Total Pension Liability as of June 30, 2018 is based on the results of an actuarial valuation date of July 1, 2018.

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 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.

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2019

11. PENSION PLAN (continued)

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, 2018.

Asset Class	Target Allocation	Long-term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	3.05%	0.80%
Broad US Equities	55.00%	8.30%	6%
Developed Foreign Equities	15.00%	8.45%	6%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.75%	4.50%
Portfolio Standard Deviation		12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.13%	3.77%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expense		5.73%	5.73%
Portfolio Long-Term Expected Rate of Return, Net of Investment Expense			4.19%
Portfolio Standard Deviation			14.16
Valuation Assumptions Chosen by PERSI Board			
Long-Term Expected Real Rate of Return, Net of Investment Expense			4.05%
Assumed Inflation			3.00%
Portfolio Long-Term Expected Geometric Rate of Return, Net of Investment Expense			7.05%

North Star Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2019

11. PENSION PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. 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 7.05 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 (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer's proportionate share of the net pension liability (asset)	\$ 3,769,564	\$ 1,505,882	\$(368,539)

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, 2019

12. DEFICIT FUND BALANCES

The following funds had a deficit fund balance as of June 30, 2019:

<u>Fund</u>	<u>Balance</u>
General Fund	\$ (46,475)
Title II-A	(6,220)
Drug Free	(528)

13. 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, 2019 was:

	<u>June 30, 2018</u>	<u>Earned</u>	<u>Used</u>	<u>June 30, 2019</u>	<u>Current</u>
Governmental Activities	<u>\$ 11,417</u>	<u>\$ 11,681</u>	<u>\$ (6,197)</u>	<u>\$ 16,901</u>	<u>\$ 16,901</u>

14. PRIOR PERIOD RESTATEMENT

In prior years the General Fund paid for expenses that should have been paid out of the IDEA Part B Fund. This caused the fund balance of the General Fund to be understated and the fund balance of the IDEA Part B Fund to be overstated by \$102,791. The restatements to fund balance are as follows:

General Fund

Fund Balance, Beginning - As Previously Stated	\$ (148,214)
Increase in Fund Balance due to expenses paid for other fund	102,791
Fund Balance, Beginning - Restated	<u>\$ (45,423)</u>

IDEA Part B

Fund Balance, Beginning - As Previously Stated	\$ 102,791
Decrease in Fund Balance due to expenses paid from General Fund	(102,791)
Fund Balance, Beginning - Restated	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

North Star Charter School, Inc.
 Budgetary (GAAP Basis) Comparison Schedule
 General
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
State Sources	\$ 6,311,334	\$ 6,365,842	\$ 6,351,204	\$ (14,638)
Grants and Contributions	-	-	720	720
Charges for Services	-	-	55,023	55,023
Other	277,657	355,268	37,780	(317,488)
Total Revenues	<u>6,588,991</u>	<u>6,721,110</u>	<u>6,444,727</u>	<u>(276,383)</u>
Expenditures				
Current:				
Instruction	4,054,585	4,104,377	4,091,326	13,051
Support Services	1,748,546	1,770,860	1,788,555	(17,695)
Capital Outlay	220,424	150,424	81,057	69,367
Total Expenditures	<u>6,023,555</u>	<u>6,025,661</u>	<u>5,960,938</u>	<u>64,723</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>565,436</u>	<u>695,449</u>	<u>483,789</u>	<u>(211,660)</u>
Other Financing Sources (Uses)				
Transfers In	-	-	25,377	25,377
Transfers Out	(494,279)	(494,279)	(474,154)	20,125
Total Other Financing Sources (Uses)	<u>(494,279)</u>	<u>(494,279)</u>	<u>(448,777)</u>	<u>45,502</u>
Net Change in Fund Balances	<u>71,157</u>	<u>201,170</u>	<u>35,012</u>	<u>(166,158)</u>
Fund Balances - Beginning - Previous Prior Period Adjustment	-	-	(148,213)	57,367
Fund Balances - Beginning - Restated	-	-	102,790	(102,790)
Fund Balances - Ending	<u>-</u>	<u>-</u>	<u>(45,423)</u>	<u>(45,423)</u>
	<u>\$ 71,157</u>	<u>\$ 201,170</u>	<u>\$ (10,411)</u>	<u>\$ (211,581)</u>

North Star Charter School, Inc.
 Budgetary (GAAP Basis) Comparison Schedule
 Technology
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
State Sources	\$ 154,826	\$ 158,079	\$ 158,079	\$ -
Total Revenues	<u>154,826</u>	<u>158,079</u>	<u>158,079</u>	<u>-</u>
Expenditures				
Current:				
Instruction	-	-	-	-
Support Services	154,826	158,079	24,188	133,891
Capital Outlay	-	-	154,648	(154,648)
Total Expenditures	<u>154,826</u>	<u>158,079</u>	<u>178,836</u>	<u>(20,757)</u>
Net Change in Fund Balances	-	-	(20,757)	(20,757)
Fund Balances - Beginning	-	-	148,041	148,041
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,284</u>	<u>\$ 127,284</u>

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

Public Employees Retirement System of Idaho

	Last 10 - Fiscal Years*				
	2019	2018	2017	2016	2015
Charter proportion of the net pension liability (asset)	0.1020925%	0.1045074%	0.1002813%	0.0958135%	0.0893739%
Charter's proportionate share of the net pension liability (asset)	\$ 1,505,882	\$ 1,642,677	\$ 2,032,856	\$ 1,261,708	\$ 657,932
Charter's covered payroll	\$ 3,416,304	\$ 3,284,685	\$ 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 payroll	44.08%	50.01%	62.63%	42.96%	24.52%
Plan fiduciary net position as a percentage of the total pension liability	91.69%	90.68%	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, 2018

North Star Charter School, Inc.
Schedule of Charter Contributions

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	2019	2018	2017	2016	2015
Contractually required contributions	\$ 386,725	\$ 371,826	\$ 367,439	\$ 332,467	\$ 303,796
Contributions in relation to the contractually required contribution	386,725	371,826	367,439	332,467	303,796
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter's covered payroll	\$ 3,416,304	\$ 3,284,684	\$ 3,245,923	\$ 2,936,983	\$ 2,683,710
Contributions as a percentage of covered payroll	11.32%	11.32%	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, 2019

North Star Charter School, Inc.
Notes to Required Supplementary Information
For the Year Ended June 30, 2019

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 Technology fund had expenditures in excess of appropriations in the amount of \$20,757.

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, 2019

Instruction	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Elementary:			
Salaries	\$ 1,487,268	\$ 1,479,815	\$ 7,453
Benefits	434,454	433,789	665
Supplies	99,652	98,958	694
Capital Outlays	9,030	2,015	7,015
	<u>2,030,404</u>	<u>2,014,577</u>	<u>15,827</u>
Secondary:			
Salaries	1,356,763	1,315,101	41,662
Benefits	376,737	393,605	(16,868)
Supplies	75,414	167,592	(92,178)
Capital Outlays	24,769	9,052	15,717
	<u>1,833,683</u>	<u>1,885,350</u>	<u>(51,667)</u>
Exceptional Child:			
Salaries	201,129	140,650	60,479
Benefits	67,073	57,482	9,591
Services	722	742	(20)
Supplies	4,196	2,623	1,573
Capital Outlays	969	969	-
	<u>274,089</u>	<u>202,466</u>	<u>71,623</u>
Total Instruction	<u>4,138,176</u>	<u>4,102,393</u>	<u>35,783</u>
Support Services			
Special Services:			
Services	-	33,513	(33,513)
	<u>-</u>	<u>33,513</u>	<u>(33,513)</u>
Instruction Improvement:			
Services	900	900	-
	<u>900</u>	<u>900</u>	<u>-</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, 2019
(continued)

	Budget	Actual	Variance
Educational Media:			
Supplies	\$ 975	\$ 975	\$ -
	<u>975</u>	<u>975</u>	<u>-</u>
Board of Education:			
Services	23,736	23,736	-
Supplies	46,208	42,550	3,658
	<u>69,944</u>	<u>66,286</u>	<u>3,658</u>
District Administration:			
Salaries	662,831	589,264	73,567
Benefits	151,785	153,186	(1,401)
Services	43,684	126,663	(82,979)
Supplies	11,834	6,857	4,977
Capital Outlays	72,650	417	72,233
Fees	6	6	-
	<u>942,790</u>	<u>876,393</u>	<u>66,397</u>
Building Care:			
Services	263,078	267,042	(3,964)
Supplies	31,698	17,849	13,849
Insurance	47,316	43,316	4,000
	<u>342,092</u>	<u>328,207</u>	<u>13,885</u>
Maintenance (Student Occupied):			
Services	47,330	44,629	2,701
Supplies	-	-	-
	<u>47,330</u>	<u>44,629</u>	<u>2,701</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, 2019
 (continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Transportation Services	<u>\$ 439,479</u>	<u>\$ 438,069</u>	<u>\$ 1,410</u>
	<u>439,479</u>	<u>438,069</u>	<u>1,410</u>
Total Support Services	<u>1,843,510</u>	<u>1,788,972</u>	<u>54,538</u>
Non-Instruction			
Capital Assets - Student Occupied	<u>43,975</u>	<u>69,573</u>	<u>(25,598)</u>
Total Expenditures	<u><u>\$ 6,025,661</u></u>	<u><u>\$ 5,960,938</u></u>	<u><u>\$ 64,723</u></u>

North Star Charter School, Inc.
Combining Balance Sheet - Nonmajor Funds
June 30, 2019

	Building Maintenance	State Tobacco	IDEA Part B	Title IV-A
Assets				
Cash	\$ -	\$ 10,231	\$ -	\$ 3,701
Receivables, Net:	-	-	36,064	-
Total Assets	\$ -	\$ 10,231	\$ 36,064	\$ 3,701
Liabilities				
Interfund Balance	\$ -	\$ -	\$ 36,064	\$ -
Accounts Payable	-	-	-	341
Total Liabilities	-	-	36,064	341
Fund Balance				
Restricted	-	10,231	-	3,360
Unassigned	-	-	-	-
Total Fund Balances	-	10,231	-	3,360
Total Liabilities and Fund Balances	\$ -	\$ 10,231	\$ 36,064	\$ 3,701

North Star Charter School, Inc.
Combining Balance Sheet - Nonmajor Funds
June 30, 2019
(continued)

	Title II-A	Drug Free	Capital Project	Total
Assets				
Cash	\$ -	\$ -	\$ 76,975	\$ 90,907
Receivables, Net:	-	-	-	36,064
Total Assets	\$ -	\$ -	\$ 76,975	\$ 126,971
Liabilities				
Interfund Balance	\$ 6,220	\$ 528	\$ -	\$ 42,812
Accounts Payable	-	-	-	341
Total Liabilities	6,220	528	-	43,153
Fund Balance				
Restricted	-	-	76,975	\$ 90,566
Unassigned	(6,220)	(528)	-	(6,748)
Total Fund Balances	(6,220)	(528)	76,975	83,818
Total Liabilities and Fund Balances	\$ -	\$ -	\$ 76,975	\$ 126,971

North Star Charter School, Inc.
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Funds
For the Year Ended June 30, 2019

	Building Maintenance	State Tobacco	IDEA Part B	Title IV-A
Revenues				
State Sources	\$ -	\$ 13,801	\$ -	\$ 13,845
Federal Sources	-	-	118,264	-
Grants and Contributions	-	-	-	-
Total Revenues	<u>-</u>	<u>13,801</u>	<u>118,264</u>	<u>13,845</u>
Expenditures				
Current:				
Instruction				
Salaries	-	-	90,000	-
Benefits	-	-	5,200	-
Services	-	-	-	7,485
Supplies	-	-	3,065	-
Capital Outlay	-	-	-	3,000
Total Instruction	<u>-</u>	<u>-</u>	<u>98,265</u>	<u>10,485</u>
Support Services				
Salaries	-	-	-	-
Benefits	-	-	-	-
Services	-	11,270	19,999	-
Supplies	-	1,223	-	-
Capital Outlay	-	-	-	-
Total Support Services	<u>-</u>	<u>12,493</u>	<u>19,999</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>12,493</u>	<u>118,264</u>	<u>10,485</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>1,308</u>	<u>-</u>	<u>3,360</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	(25,377)	-	-	-
Total Other Financing Sources (Uses)	<u>(25,377)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(25,377)</u>	<u>1,308</u>	<u>-</u>	<u>3,360</u>
Fund Balances - Beginning - Previous Prior Period Adjustment	25,377	8,923	102,791	-
	-	-	(102,791)	-
Fund Balances - Beginning - Restated	<u>25,377</u>	<u>8,923</u>	<u>-</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 10,231</u>	<u>\$ -</u>	<u>\$ 3,360</u>

North Star Charter School, Inc.
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Funds
For the Year Ended June 30, 2019
(continued)

	Title II-A	Drug Free	Capital Project	Total
Revenues				
State Sources	\$ -	\$ -	\$ -	\$ 27,646
Federal Sources	2,269	-	-	120,533
Grants and Contributions	-	-	103,702	103,702
Total Revenues	<u>2,269</u>	<u>-</u>	<u>103,702</u>	<u>251,881</u>
Expenditures				
Current:				
Instruction				
Services	-	-	-	7,485
Supplies	-	-	6,313	9,378
Capital Outlay	-	-	-	3,000
Total Instruction	<u>-</u>	<u>-</u>	<u>6,313</u>	<u>115,063</u>
Support Services				
Salaries	-	-	-	-
Benefits	-	-	-	-
Services	6,220	-	-	37,489
Supplies	-	-	-	1,223
Capital Outlay	-	-	92,739	92,739
Total Support Services	<u>6,220</u>	<u>-</u>	<u>92,739</u>	<u>131,451</u>
Total Expenditures	<u>6,220</u>	<u>-</u>	<u>99,052</u>	<u>246,514</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,951)</u>	<u>-</u>	<u>4,650</u>	<u>5,367</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	(25,377)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,377)</u>
Net Change in Fund Balances	<u>(3,951)</u>	<u>-</u>	<u>4,650</u>	<u>(20,010)</u>
Fund Balances - Beginning - Previous Prior Period Adjustment	(2,269)	(528)	72,325	206,619
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(102,791)</u>
Fund Balances - Beginning - Restated	<u>(2,269)</u>	<u>(528)</u>	<u>72,325</u>	<u>103,828</u>
Fund Balances - Ending	<u>\$ (6,220)</u>	<u>\$ (528)</u>	<u>\$ 76,975</u>	<u>\$ 83,818</u>

FEDERAL REPORTS



ZWYGART JOHN

CERTIFIED PUBLIC ACCOUNTANTS

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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*

Independent Auditor's Report

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, 2019, 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 September 30, 2019.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

Zwygart John & Associates, CPAs PLLC

Nampa, Idaho
September 30, 2019