

**NORTH STAR CHARTER SCHOOL, INC.**

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Report on Audited  
Basic  
Financial Statements  
and  
Additional Information

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For the Year Ended June 30, 2015

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# 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, 2015, 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, 2015, 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, 2015, 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 33 to 37 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 13, 2015, 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 Zwyzart CPAs, PLLC*

Caldwell, Idaho  
October 13, 2015

**North Star Charter School, Inc.**  
Statement of Net Position  
June 30, 2015

	Governmental Activities
<b>Assets</b>	
Cash and Cash Equivalents	\$ 263,059
Receivables, Net:	
Intergovernmental	245,275
Accounts - Other	384
Prepaid Items	24,525
Due from Agency Funds	6,000
Restricted Cash	231,306
Capital Assets:	
Land	1,162,200
Buildings, Net	5,247,338
Improvements, Net	1,091,711
Equipment, Net	372,454
Total Capital Assets	7,873,703
<b>Total Assets</b>	8,644,252
<b>Deferred Outflows</b>	
Pension Related Items	358,563
<b>Total Deferred Outflows</b>	358,563
<b>Liabilities</b>	
Accounts Payable	20,975
Salaries and Benefits Payable	232,638
Accrued Interest	212,850
Long-Term Liabilities:	
Due within One Year	
Bonds and Notes Payable	-
Due in More Than One Year	
Accrued Interest	319,423
Bonds and Notes Payable	12,143,156
Net Pension Liability	657,932
<b>Total Liabilities</b>	13,586,974
<b>Deferred Inflows</b>	
Pension Related Items	905,721
<b>Total Deferred Inflows</b>	905,721
<b>Net Position</b>	
Invested in Capital Assets, Net of Related Debt	(4,269,453)
Restricted for Special Revenue	231,306
Unrestricted Surplus	(1,451,733)
<b>Total Net Position</b>	\$ (5,489,880)

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

**North Star Charter School, Inc.**  
Statement of Activities  
For the Year Ended June 30,2015

		Program Revenues				Net (Expense) Revenue and Changes in Net Position - Governmental Activities
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Primary Government:</b>						
Governmental Activities:						
Instruction	\$ 2,921,340	\$ -	\$ 1,318,682	\$ -		\$ (1,602,658)
Support Services	1,667,386	-	-	-		(1,667,386)
Interest on Long-Term Debt	720,527	-	-	-		(720,527)
<b>Total Governmental Activities</b>	<b>\$ 5,309,253</b>	<b>\$ -</b>	<b>\$ 1,318,682</b>	<b>\$ -</b>		<b>(3,990,571)</b>
General Revenues:						
						3,928,094
						67,543
						3,995,637
						5,066
						(4,065,245)
						(1,429,701)
						(5,494,946)
						\$ (5,489,880)

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



**North Star Charter School, Inc.**

Balance Sheet -  
Governmental Funds  
June 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>School Building Maintenance</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 167,122	\$ -	\$ 61,502
Receivables, Net:			
Intergovernmental	245,275	-	-
Accounts - Other	384		
Prepaid Items	24,525	-	-
Due from Other Funds	6,000	-	-
Restricted Cash with Fiscal Agent	-	231,306	-
<b>Total Assets</b>	<b><u>\$ 443,306</u></b>	<b><u>\$ 231,306</u></b>	<b><u>\$ 61,502</u></b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts Payable	\$ 20,975	\$ -	\$ -
Salaries and Benefits Payable	231,930	-	-
<b>Total Liabilities</b>	<b><u>252,905</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
Fund Balances:			
Nonspendable	24,525	-	-
Restricted	-	231,306	61,502
Unassigned	165,876	-	-
<b>Total Fund Balances</b>	<b><u>190,401</u></b>	<b><u>231,306</u></b>	<b><u>61,502</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 443,306</u></b>	<b><u>\$ 231,306</u></b>	<b><u>\$ 61,502</u></b>

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

**North Star Charter School, Inc.**  
 Balance Sheet -  
 Governmental Funds (continued)  
 June 30, 2015

	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>		
Cash and Cash Equivalents	\$ 34,435	\$ 263,059
Receivables, Net:		
Intergovernmental	-	245,275
Accounts - Other	-	384
Prepaid Items	-	24,525
Due from Other Funds	-	6,000
Restricted Cash with Fiscal Agent	-	231,306
Total Assets	\$ 34,435	\$ 770,549
 <b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts Payable	\$ -	\$ 20,975
Salaries and Benefits Payable	708	232,638
Total Liabilities	708	253,613
Fund Balances:		
Nonspendable	-	24,525
Restricted	33,727	326,535
Unassigned	-	165,876
Total Fund Balances	33,727	516,936
Total Liabilities and Fund Balances	\$ 34,435	\$ 770,549

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, 2015

Total Fund Balances - Governmental Funds \$ 516,936

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	\$ 1,162,200	
Buildings, Net of \$897,088 Accum. Depreciation	5,247,338	
Improvements, Net of \$354,171 Accum. Depreciation	1,091,711	
Equipment, Net of \$704,843 Accum. Depreciation	<u>372,454</u>	
Total Capital Assets		7,873,703

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	\$ (532,273)	
Bonds Payable	<u>(12,143,156)</u>	
Total Long-Term Debt		(12,675,429)

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	\$ (657,932)	
Pension Related Deferred Inflows	(905,721)	
Pension Related Deferred Outflows	<u>358,563</u>	
		<u>(1,205,090)</u>

Total Net Position-Governmental Activities \$ (5,489,880)

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, 2015

	General	Debt Service	School Building Maintenance
<b>Revenues</b>			
Intergovernmental	\$ 5,012,771	\$ -	\$ 42,891
Grants and Contributions	9,428	-	-
Other	67,514	29	-
Total Revenues	<u>5,089,713</u>	<u>29</u>	<u>42,891</u>
<b>Expenditures</b>			
Current:			
Instruction	2,975,783	-	-
Support Services	1,381,337	-	-
Debt Service:			
Principal	-	-	-
Interest	-	249,508	-
Bond Fees	-	57,304	-
Capital Outlay	65,540	-	-
Total Expenditures	<u>4,422,660</u>	<u>306,812</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>667,053</u>	<u>(306,783)</u>	<u>42,891</u>
<b>Other Financing Sources (Uses)</b>			
Transfer In	-	524,336	-
Transfer Out	(524,336)	-	-
Total Other Financing Sources (Uses)	<u>(524,336)</u>	<u>524,336</u>	<u>-</u>
Net Change in Fund Balances	<u>142,717</u>	<u>217,553</u>	<u>42,891</u>
Fund Balances - Beginning - Previous Prior Period Adjustment	41,684 6,000	13,753 -	18,611 -
Fund Balances - Beginning - Restated	<u>47,684</u>	<u>13,753</u>	<u>18,611</u>
Fund Balances - Ending	<u>\$ 190,401</u>	<u>\$ 231,306</u>	<u>\$ 61,502</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 30,2015

	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>		
Intergovernmental	\$ 52,756	\$ 5,108,418
Grants and Contributions	128,930	138,358
Other	-	67,543
Total Revenues	181,686	5,314,319
<b>Expenditures</b>		
Current:		
Instruction	176,168	3,151,951
Support Services	-	1,381,337
Debt Service:		
Principal	-	-
Interest	-	249,508
Bond Fees	-	57,304
Capital Outlay	-	65,540
Total Expenditures	176,168	4,905,640
<b>Excess (Deficiency) of Revenues Over Expenditures</b>		
	5,518	408,679
<b>Other Financing Sources (Uses)</b>		
Transfer In	-	524,336
Transfer Out	-	(524,336)
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balances	5,518	408,679
Fund Balances - Beginning - Previous	28,209	102,257
Prior Period Adjustment	-	6,000
Fund Balances - Beginning - Restated	28,209	108,257
Fund Balances - Ending	\$ 33,727	\$ 516,936

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 30,2015

Total Net Change in Fund Balance - Governmental Funds \$ 408,679

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	\$ 103,790	
Depreciation	<u>(266,995)</u>	(163,205)

Accrued interest on long-term debt (471,019)

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 -

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.

230,611

Change in Net Position of Governmental Activities \$ 5,066

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

**North Star Charter School, Inc.**  
Statement of Fiduciary Net Position  
June 30, 2015

	Employee Flex Trust Fund	Student Activity Agency Fund	Total
<b>Assets</b>			
Cash	\$ 12,518	\$ 44,025	\$ 56,543
Receivables, Net:	-	50	50
<b>Total Assets</b>	<b>\$ 12,518</b>	<b>\$ 44,075</b>	<b>\$ 56,593</b>
<b>Liabilities</b>			
Due to Student Groups	\$ -	\$ 44,075	\$ 44,075
Due to General Fund	6,000	-	6,000
<b>Total Liabilities</b>	<b>6,000</b>	<b>44,075</b>	<b>50,075</b>
<b>Net Position</b>			
Held in trust for employee benefits	\$ 6,518	\$ -	\$ 6,518

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, 2015

	Employee Flex Trust Fund
<b>Additions</b>	
Member Contributions	\$ 5,410
Total Additions	5,410
<b>Deductions</b>	
Claims Paid	5,090
Total Deductions	5,090
<b>Changes in Net Position</b>	320
Net Position - Beginning of Year - Pervious	12,198
Prior Period Adjustment	(6,000)
Net Position - Beginning of Year - Restated	6,198
Net Position - End of Year	\$ 6,518

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, 2015

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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, 2015

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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.
- *School Building Maintenance fund.* This fund accounts for the resources received and used to maintain the school building.
- *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.

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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, 2015

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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, 2015

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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 Clerk/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	\$ 500	Straight-line	15-50 years
Equipment	\$ 500	Straight-line	2-10 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, 2015

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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.

New Pronouncements

In June 2014, the GASB issued statement No. 68, *Accounting and Financial Reporting for Pensions*. Beginning with fiscal year 2015, the Charter implemented the provisions of this statement, which establishes accounting standards and financial reporting standards for pension related items. Implementation of this new statement resulted in a restatement of beginning net position in the Charter's government-wide financial statements (see note 11)

**North Star Charter School, Inc.**  
Notes to Financial Statements  
For the Year Ended June 30, 2015

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2. CASH

Deposits

As of June 30, 2015, the carrying amount of the Charter's deposits was \$550,908 and the respective bank balances totaled \$689,784. \$481,307 of the bank balance was insured or collateralized with pooled securities held by the pledging institution in the name of the Charter.

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, 2015, \$208,477 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, 2015.

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	\$ 263,059	\$ 56,543	\$ 319,602
Restricted Cash	231,306	-	231,306
	\$ 494,365	\$ 56,543	\$ 550,908

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, 2015

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:

	Balance 6/30/2014	Additions	Disposals	Balance 6/30/2015
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated				
Land	\$ 1,162,200	\$ -	\$ -	\$ 1,162,200
Construction in Progress	50,254	-	(50,254)	-
Total Historical Cost	<u>1,212,454</u>	<u>-</u>	<u>(50,254)</u>	<u>1,162,200</u>
Capital Assets Being Depreciated				
Buildings	6,144,426	-	-	6,144,426
Improvements	1,330,088	115,794	-	1,445,882
Equipment	1,039,047	38,250	-	1,077,297
Total Historical Cost	<u>8,513,561</u>	<u>154,044</u>	<u>-</u>	<u>8,667,605</u>
Less: Accumulated Depreciation				
Buildings	743,477	153,611	-	897,088
Improvements	292,531	61,640	-	354,171
Equipment	653,099	51,744	-	704,843
Total Acc. Depr.	<u>1,689,107</u>	<u>266,995</u>	<u>-</u>	<u>1,956,102</u>
Net Depreciated Capital Assets	<u>6,824,454</u>	<u>(112,951)</u>	<u>-</u>	<u>6,711,503</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 8,036,908</u>	<u>\$ (112,951)</u>	<u>\$ (50,254)</u>	<u>\$ 7,873,703</u>

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

Governmental Activities:	
Support Services	<u>\$ 266,995</u>

**North Star Charter School, Inc.**  
Notes to Financial Statements  
For the Year Ended June 30, 2015

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6. LEASE COMMITMENTS

The Charter has operating an 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.

Future minimum lease payments are as follows:

Year Ended June 30,	Amount
2016	\$ 10,258
2017	10,258
2018	10,258
2019	3,420
	<u>\$ 34,194</u>

Rent expenditures for the year ended June 30, 2015 totaled \$10,258.

7. INTERNAL BALANCES

Balance due between funds consisted of the following:

Due to the General fund from the Employee Flex Trust Fund representing short-  
\$ 6,000 term loan to cover start up costs.

8. TRANSFERS TO/FROM OTHER FUNDS

From the General fund to the Debt Service fund for  
\$ 524,336 debt service payments.

9. INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments consist of \$245,275, as a reimbursement from the State of Idaho for school support.



**North Star Charter School, Inc.**  
Notes to Financial Statements  
For the Year Ended June 30, 2015

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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, 2015

10. LONG TERM DEBT (continued)

Long-term debt activity for the year ended June 30, 2015, is as follows:

	Maturity Date	Interest Rate	Beginning	Increase	Decrease	Ending	Current
Series 2014A	2018	6.75%	\$ 6,000,000	\$ -	\$ -	\$ 6,000,000	\$ -
Series 2014B	2049	5.00%	5,798,156	-	-	5,798,156	-
Series 2014C	2024	6.00%	345,000	-	-	345,000	-
			<u>\$ 12,143,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,143,156</u>	<u>\$ -</u>

Debt service requirements (cash basis) on long-term debt at June 30, 2015, are as follows:

	Principal	Interest	Total
2016	\$ -	\$ 425,700	\$ 425,700
2017	50,000	424,163	474,163
2018	55,000	420,919	475,919
2019	55,000	417,506	472,506
2020	60,000	413,925	473,925
2021-2025	360,000	2,005,519	2,365,519
2026-2030	545,000	1,862,494	2,407,494
2031-2035	830,000	1,629,113	2,459,113
2036-2040	1,150,000	1,297,688	2,447,688
2041-2045	1,605,000	836,831	2,441,831
2046-2050	7,433,156	27,219,465	34,652,621
	<u>\$ 12,143,156</u>	<u>\$ 36,953,322</u>	<u>\$ 49,096,478</u>

**North Star Charter School, Inc.**  
Notes to Financial Statements  
For the Year Ended June 30, 2015

11. LONG TERM DEBT (continued)

Interest expense for the year ended June 30, 2015 and the accrued interest payable at June 30, 2015 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, 2014:			
Current - Series 2014 A & C Bonds	\$ -	\$ -	\$ 36,658
Deferred - Series 2014 B Bonds	-	-	24,596
Total Accrued Interest Payable at June 30, 2014	-	-	61,254
Interest Expense for the Year Ended June 30, 2015:			
Current - Series 2014 A & C Bonds	425,700	249,508	176,192
Deferred - Series 2014 B Bonds	294,827	-	294,827
Total Interest Expense for the Year Ended June 30, 2015:	\$ 720,527	\$ 249,508	\$ 532,273

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, 2015 of \$319,423, 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](http://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, 2015

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12. PENSION PLAN (continued)

Employee membership data related to the PERSI Base Plan, as of June 30, 2015 was as follows:

Retirees and beneficiaries currently receiving benefits	40,776
Terminated employees entitled to but not yet receiving benefits	11,504
Active plan members	<u>66,223</u>
	<u>118,503</u>

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

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% (72%) of the employer rate. As of June 30, 2015 it was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) of covered compensation. North Star Charter School, Inc.'s contributions were \$303,796 the year ended June 30, 2015.

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

**North Star Charter School, Inc.**  
Notes to Financial Statements  
For the Year Ended June 30, 2015

12. PENSION PLAN (continued)

At June 30, 2015, 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 July 1, 2014, 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 July 1, 2014, North Star Charter School, Inc.'s proportion was 0.0893739 percent.

For the year ended June 30, 2015, North Star Charter School, Inc. recognized pension revenue of \$200,901. At June 30, 2015, North Star Charter School, Inc. reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual	\$ -	\$ 81,672
Changes in assumptions or other inputs	54,767	-
Net difference between projected and actual earnings on pension plan investments	-	824,049
North Star Charter School, Inc.'s contributions subsequent to the measurement date	303,796	
<b>Total</b>	<b>\$ 358,563</b>	<b>\$ 905,721</b>

\$303,796 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, 2015.

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, 2013, the beginning of the measurement period ended June 30, 2014, is 5.6 years.

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, 2015

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12. PENSION PLAN (continued)

<b>For the Year Ended June 30:</b>	<b>PERSI</b>
2016	\$ (211,861)
2017	(211,861)
2018	(211,861)
2019	(211,861)
2020	(3,509)

*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 July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.5 – 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 in 2012 for the period July 1, 2007 through June 30, 2011 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, 2014 is based on the results of an actuarial valuation date of July 1, 2014.

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, 2015

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, 2014.

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000 / Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI EAFE	15.00%	7.55%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Standard Deviation			13.34%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			0.40%
<b>Long-Term Expected Rate of Return, Net of Investment Expenses</b>			<b>7.10%</b>

**North Star Charter School, Inc.**  
Notes to Financial Statements  
For the Year Ended June 30, 2015

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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:

	<b>1%</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
Employer's proportionate share of the net pension liability (asset)	\$ 2,284,805	\$ 657,932	\$ (694,474)

*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](http://www.persi.idaho.gov).



**North Star Charter School, Inc.**  
Notes to Financial Statements  
For the Year Ended June 30, 2015

13. RESTATEMENT

In prior periods the General Fund gave a loan of \$6,000 to the Employee Flex Trust fund to cover costs while employees were contributing money. This loan was not recorded on the balance sheet in prior years causing Fund balance and Net Position in the General fund to be understated and the Net Position of the Employee Flex Trust Fund to be overstated.

As mentioned in Note 1 to the financial statements, the District implemented GASB statement No. 68. The provisions of this statement required that the District's portion of Net Pension Liability and Deferred Inflows and Outflows from pension related items be reported on the Statement of Net Position. This caused net Position to be restated. The restatement of Fund Balance and Net Position are as follows:

Fund Statements

Fund Balance, Beginning - As Previously Stated	\$	41,684
Increase(decrease) in Fund Balance due to misstated interfund payable/receivable		<u>6,000</u>
Fund Balance, Beginning - Restated	\$	<u><u>47,684</u></u>

Government - Wide Statements

	Governmental Activities	Fiduciary Funds
Net Position, Beginning - As Previously Stated	\$ (4,065,245)	\$ 12,198
Decrease in Net Position due to Net Pension Liability	(1,709,787)	-
Increase in Net Position due to Deferred Outflows from Pension Related Items	274,086	-
Increase(decrease) in Net Position due to misstated interfund payable/receivable	<u>6,000</u>	<u>(6,000)</u>
Net Position, Beginning - Restated	<u><u>\$ (5,494,946)</u></u>	<u><u>\$ 6,198</u></u>

***REQUIRED SUPPLEMENTARY INFORMATION***

**North Star Charter School, Inc.**  
 Budgetary (GAAP Basis) Comparison Schedule  
 General  
 For the Year Ended June 30,2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 5,016,627	\$ 4,980,360	\$ 5,012,771	\$ 32,411
Contributions	-	8,678	9,428	750
Other	51,000	174,369	67,514	(106,855)
Total Revenues	<u>5,067,627</u>	<u>5,163,407</u>	<u>5,089,713</u>	<u>(73,694)</u>
<b>Expenditures</b>				
Current:				
Instruction	3,053,309	3,131,838	2,975,783	156,055
Support Services	1,419,241	1,426,934	1,381,337	45,597
Capital Outlay	96,000	122,459	65,540	56,919
Contingency Reserve	18,041	1,140	-	1,140
Total Expenditures	<u>4,586,591</u>	<u>4,682,371</u>	<u>4,422,660</u>	<u>259,711</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>481,036</u>	<u>481,036</u>	<u>667,053</u>	<u>186,017</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	-	-
Transfers Out	(481,036)	(481,036)	(524,336)	(43,300)
Total Other Financing Sources (Uses)	<u>(481,036)</u>	<u>(481,036)</u>	<u>(524,336)</u>	<u>(43,300)</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>142,717</u>	<u>142,717</u>
Fund Balances - Beginning - Previous		-	41,684	41,684
Prior Period Adjustment		-	6,000	6,000
Fund Balances - Beginning - Restated	-	-	47,684	47,684
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,401</u>	<u>\$ 190,401</u>

**North Star Charter School, Inc.**  
 Budgetary (GAAP Basis) Comparison Schedule  
 Building Maintenance  
 For the Year Ended June 30,2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
State Sources	\$ -	\$ 42,891	\$ 42,891	\$ -
Grants and Contributions	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>-</u>	<u>42,891</u>	<u>42,891</u>	<u>-</u>
<b>Expenditures</b>				
Current:				
Instruction	-	-	-	-
Support Services	-	42,891	-	42,891
Contingency Reserve	-	-	-	-
Total Expenditures	<u>-</u>	<u>42,891</u>	<u>-</u>	<u>42,891</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>42,891</u>	<u>42,891</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>42,891</u>	<u>42,891</u>
Fund Balances - Beginning - Previous Prior Period Adjustment		-	18,611	
		-	-	
Fund Balances - Beginning - Restated	-	-	18,611	18,611
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,502</u>	<u>\$ 61,502</u>

**North Star Charter School, Inc.**  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2015

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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.

**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\*

	2015
Charter proportion of the net pension liability (asset)	0.0893739%
Charter's proportionate share of the net pension liability (asset)	\$ 657,932
Charter's covered-employee payroll	\$ 2,683,710
Charter's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	24.52%
Plan fiduciary net position as a percentage of the total pension liability	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 July 1, 2014

**North Star Charter School, Inc.**  
**Schedule of Charter Contributions**

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years\*

	2015
Contractually required contributions	\$ 303,796
Contributions in relation to the contractually required contribution	303,796
Contribution deficiency (excess)	\$ -
Charter's covered-employee payroll	\$ 2,683,710
Contributions as a percentage of covered-employee payroll	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, 2015

***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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Instruction</b>			
Elementary:			
Salaries	\$ 1,016,536	\$ 1,009,118	\$ 7,418
Benefits	283,242	285,645	(2,403)
Supplies	27,614	28,878	(1,264)
Capital Outlays	15,000	-	15,000
	<u>1,342,392</u>	<u>1,323,641</u>	<u>18,751</u>
Secondary:			
Salaries	1,183,414	1,167,464	15,950
Benefits	314,273	307,292	6,981
Supplies	63,407	83,740	(20,333)
Capital Outlays	15,495	345	15,150
	<u>1,576,589</u>	<u>1,558,841</u>	<u>17,748</u>
Exceptional Child:			
Salaries	154,263	63,628	90,635
Benefits	53,526	29,673	23,853
Supplies	4,046	-	4,046
Capital Outlays	1,022	-	1,022
	<u>212,857</u>	<u>93,301</u>	<u>119,556</u>
Total Instruction	<u>3,131,838</u>	<u>2,975,783</u>	<u>156,055</u>
<b>Support Services</b>			
Special Services:			
Services	45,572	35,219	10,353
	<u>45,572</u>	<u>35,219</u>	<u>10,353</u>
Instruction Improvement:			
Services	1,075	12,176	(11,101)
	<u>1,075</u>	<u>12,176</u>	<u>(11,101)</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, 2015  
(continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Educational Media:			
Supplies	754	965	(211)
	<u>754</u>	<u>965</u>	<u>(211)</u>
Board of Education:			
Services	29,974	24,471	5,503
Supplies	32,113	10,654	21,459
	<u>62,087</u>	<u>35,125</u>	<u>26,962</u>
District Administration:			
Salaries	420,255	415,063	5,192
Benefits	117,259	99,001	18,258
Services	82,821	43,946	38,875
Supplies	17,651	26,838	(9,187)
Capital Outlays	52,010	86,251	(34,241)
	<u>689,996</u>	<u>671,099</u>	<u>18,897</u>
Building Care:			
Salaries	62,330	60,081	2,249
Benefits	61,330	60,890	440
Services	58,101	57,697	404
	<u>181,761</u>	<u>178,668</u>	<u>3,093</u>
Maintenance (Student Occupied):			
Services	44,939	52,822	(7,883)
	<u>44,939</u>	<u>52,822</u>	<u>(7,883)</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, 2015  
 (continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Maintenance - Grounds:			
Supplies	<u>15,363</u>	<u>13,155</u>	<u>2,208</u>
	<u>15,363</u>	<u>13,155</u>	<u>2,208</u>
Transportation			
Services	<u>385,387</u>	<u>382,108</u>	<u>3,279</u>
	<u>385,387</u>	<u>382,108</u>	<u>3,279</u>
Total Support Services	<u>1,426,934</u>	<u>1,381,337</u>	<u>45,597</u>
<b>Non-Instruction</b>			
Capital Assets - Student Occupied	<u>122,459</u>	<u>65,540</u>	<u>65,540</u>
Total Expenditures	<u><u>4,681,231</u></u>	<u><u>4,422,660</u></u>	<u><u>267,192</u></u>

**North Star Charter School, Inc.**  
Combining Balance Sheet - Nonmajor Special Revenue Funds  
June 30, 2015

	<u>Technology</u>	<u>Title VI-B</u>	<u>Drug Free</u>	<u>Total</u>
<b>Assets</b>				
Cash	\$ 26,129	\$ -	\$ 8,306	\$ 34,435
Receivables, Net:	-	-	-	-
<b>Total Assets</b>	<u>\$ 26,129</u>	<u>\$ -</u>	<u>\$ 8,306</u>	<u>\$ 34,435</u>
<b>Liabilities</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Salaries Payable	708	-	-	708
<b>Total Liabilities</b>	<u>708</u>	<u>-</u>	<u>-</u>	<u>708</u>
<b>Fund Balance</b>				
Restricted	25,421	-	8,306	33,727
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<u>25,421</u>	<u>-</u>	<u>8,306</u>	<u>33,727</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 26,129</u>	<u>\$ -</u>	<u>\$ 8,306</u>	<u>\$ 34,435</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 30,2015

	Technology	Title VI-B	Drug Free	Total
<b>Revenues</b>				
State Sources	\$ 44,450	\$ -	\$ 8,306	\$ 52,756
Grants and Contributions	-	128,930	-	128,930
Total Revenues	<u>44,450</u>	<u>128,930</u>	<u>8,306</u>	<u>181,686</u>
<b>Expenditures</b>				
Current:				
Instruction				
Salaries	14,779	88,611	-	103,390
Benefits	1,040	28,928	-	29,968
Services	-	-	-	-
Supplies	1,547	3,440	-	4,987
Capital Outlay	29,872	7,951	-	37,823
Total Instruction	<u>47,238</u>	<u>128,930</u>	<u>-</u>	<u>176,168</u>
Support Services				
Salaries	-	-	-	-
Services	-	-	-	-
Supplies	-	-	-	-
Total Support Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>47,238</u>	<u>128,930</u>	<u>-</u>	<u>176,168</u>
Net Change in Fund Balances	(2,788)	-	8,306	5,518
Fund Balances - Beginning	28,209	-	-	28,209
Fund Balances - Ending	<u>\$ 25,421</u>	<u>\$ -</u>	<u>\$ 8,306</u>	<u>\$ 33,727</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, 2015, 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 13, 2015.

#### **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. 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.

*Millington Zwysart CPAs, PLLC*

Caldwell, Idaho  
October 13, 2015