

Gibbons, Scott & Dean LLP

Certified Public Accountants

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Star Charter School, Inc. for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope of our audit. We have communicated such information in our letter to you dated June 26, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by North Star Charter School, Inc. are described in Note I to the financial statements. The only new accounting policy adopted during 2014 was the financial reporting of Items Previously Reported as Assets and Liabilities (GASB 65). We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements corrected by management were material to the financial statements. Details of the corrected misstatements are available upon request.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representation

We have requested certain representations from management that are included in the management representation letter dated November 10, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

As the result of our audit of the accounting records of North Star Charter School, Inc. for the year ended June 30, 2014, we submit the following comments. As reported in the audited financial statements in the 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, there are two significant internal control deficiencies. Of these, we consider both to be material weaknesses:

1-As is common for small governmental units in Idaho, the accounting staff of North Star Charter School, Inc. do not possess the governmental accounting experience to prepare the annual financial statements in accordance with governmental accounting principles nor are they preparing all the accrual entries nor are they maintaining the depreciation schedule.

2-Due to its relatively small size, North Star Charter School, Inc. has inadequate segregation of duties.

In addition to the above significant deficiencies, we noted the following matters involving the internal control and its operation that are not considered significant deficiencies.

In reviewing Note I.F.2 in the financial statements, you will note there were three funds which overspent their budget. The funds had revenues to cover the expenditures.

As you will note, the general fund revenues exceeded expenditures by \$419,402 before other financing uses of \$405,000. This resulted in an increase in the fund balance from \$27,283 to \$41,685. Of this, \$37,349 is unassigned fund balance. Unassigned fund balance increased over the prior year by \$13,601. The nonspendable balance is for prepaid expenses. The Statement of Net Position shows net position of (\$4,065,244). The main difference between fund balance and net position is due to the accounting treatment of capital assets and long-term debt.

We wish to thank your staff for the assistance and cooperation extended to our staff during the course of the audit. We are pleased to have served you in an auditing capacity and hope that we can be of service to you in the future. If you have any questions concerning our comments, we would appreciate the opportunity to discuss them with you.

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November 10, 2014