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December 9, 2013

To the Board of Education
Northern Lights Community School
Minnesota Charter School No. 4146
Warba, Minnesota

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Northern Lights Community School, Minnesota Charter School No. 4146, for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 30, 2013. 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 account policies used by Independent School District No. 4146 are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2013. We noted no transactions entered into by Northern Lights Community School, Minnesota Charter School No. 4146 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.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Managements estimate of the amounts Due (receivables) from Other Governments, particularly those that are based on the enrollment data available at October 28, 2013. We evaluated the key factors and assumptions used to develop these receivables in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Northern Lights Community School
Minnesota Charter School No. 4146

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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. There were no material misstatements detected as a result of audit procedures.

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 Representations

We have requested certain representations from management that are included in the management representation letter dated December 9, 2013.

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 Independent School District No. 4146'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

We generally discuss a variety of matters including the application of accounting principles and auditing standards, with management each year prior to retention as Independent School District No. 4146's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use The Board of Education and management of Northern Lights Community School, Minnesota Charter School No. 4146, and is not intended to be and should not be used by anyone other than these specified parties.

Very Truly Yours,

Miller McDonald, Inc.

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ALG-CX-12.2: Audit Difference Evaluation Form

Governmental Unit: Northern Lights Community School Financial Statement Date: 6/30/13

Completed by: ja Date: 12/9/13

Opinion Unit: overall A Listing of Known Audit Differences Over: Trivial amount of \$1,000

Instructions: This form should be used to accumulate known audit differences (AD). All known and likely misstatements greater than the amount considered trivial (documented at Step 5 of ALG-CX-2.1) should be listed. This form should not include normal closing entries. At the end of the audit, the auditor should evaluate all uncorrected audit differences, individually and in the aggregate, in the context of individual opinion units and conclude on whether they materially misstate the financial statements of an opinion unit taken as a whole. Thus, a separate "Audit Difference Evaluation Form" should be prepared for each opinion unit. The notes following the table provide explanations and a listing of qualitative considerations in evaluating materiality. The form allows for quantifying the effect of misstatements, using both the rollover and iron curtain methods, as appropriate. The auditor should review the guidance beginning at paragraph 1011.36 before completing this form.

Description (Nature) of Audit Difference (AD) or Likely (L)	Cause	Work-paper Ref.	Financial Statement Effect—Amount of Over (Under) Statement of:					Change in Fund Balance/ Net Assets				
			Total Assets	Total Liabilities	Working Cap.	Equity	Revenues		Expn.			
Prepaid Insurance	School did not record.	4400.20	1,734									
Receivables	School did not record.	7115.30	4,328					4,328				
Revenue	School did not record.	7115.20	-6,746					-6,746				
Total			-684	0	0	0	0	-2,418	-1,734			0
Less audit adjustments subsequently booked												
Net unadjusted AD—current year (iron curtain method)			-684	0	0	0	0	-2,418	-1,734			0
Effect of unadjusted AD—prior years			-684	0	0	0	0	-2,418	-1,734			0
Combined current year and prior year AD (rollover method)												
Financial statement caption totals												
Current year AD as % of F/S captions (iron curtain method)			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			0.00%
Current and prior year AD as % of F/S captions (rollover method)			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			0.00%

Conclusion: Based on the results of the evaluation performed above, as well as the consideration of qualitative factors, uncorrected audit differences, individually and in the aggregate, do do not cause the financial statements of opinion unit taken as a whole to be materially misstated.

Qualitative Considerations in Evaluating Materiality