

INDEPENDENT SCHOOL DISTRICT #466
DASSEL-COKATO PUBLIC SCHOOLS

MANAGEMENT LETTER

JUNE 30, 2025

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

This page intentionally left blank

INDEPENDENT SCHOOL DISTRICT #466

TABLE OF CONTENTS
JUNE 30, 2025

	<u>Page</u>
Required Communications	1-4
Schedule of Findings on Accounting Issues and Internal Controls	5

This page intentionally left blank



To the Board of Education
Independent School District #466
Cokato, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #466 for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and Uniform Guidance, 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 July 30, 2025. 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 the District are described in Note 1 to the financial statements. The District implemented Governmental Accounting Standards Board Statement No. 100, *Accounting Changes and Error Corrections* during the year ended June 30, 2025. We noted no transactions entered into by the District 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 estimates affecting the financial statements were:

- Due from Other Minnesota School Districts
- Due from Minnesota Department of Education
- Due from Federal through Minnesota Department of Education
- Estimated pension and other post-employment benefit liabilities and related items
- Estimated useful lives of depreciable capital assets
- Estimated compensated absences

Management's estimate of Due from Other Minnesota School Districts is based on amounts that have been billed to other school districts under the excess special education cost tuition billing system. The District has made a good faith effort to accurately calculate such amounts billed but until the resident school district has an opportunity to review such underlying details as membership days, disability codes, and rates it will not be known whether such amounts will be collected or not. Management expects any difference between amounts billed and amounts ultimately collected will be insignificant.

Willmar Office

331 Third St SW, Ste 2
PO Box 570
Willmar, MN 56201
(320) 235-3311
(888) 388-1040

Benson Office

1209 Pacific Ave, Ste 3
Benson, MN 56215
(320) 843-2302

Morris Office

401 Atlantic Ave
Morris, MN 56267
(320) 589-2602

Litchfield Office

820 Sibley Ave N
Litchfield, MN 55355
(320) 693-7975

Sartell Office

Ste 110
2351 Connecticut Ave
Sartell, MN 56377
(320) 252-7565
(800) 862-1337

Significant Audit Findings (Cont'd)

Qualitative Aspects of Accounting Practices (Cont'd)

Management's estimate of the Due from Minnesota Department of Education is based on amounts anticipated to be received from the state for various aid entitlements for fiscal year 2024-25. The most significant of these is the aid portion of general education revenue. General education revenue and certain other revenues are computed by applying an allowance per student to the number of students served by the District. Student attendance is accumulated in a statewide database - MARSS. Because of the complexity of student accounting and because of certain enrollment options, student information is input by other school districts and the MARSS data for fiscal year 2025 is not finalized until well into fiscal year 2026. Management expects any differences between estimated and actual data will be insignificant.

Management's estimate of Due from Federal through Minnesota Department of Education is based on amounts anticipated to be received through the state for various federal aid entitlements for fiscal year 2024-25. Many federal entitlements require that supporting financial reporting information be provided by the UFARS accounting system, MEGS, and the SEDRA reporting system. To the extent that these three separate systems are not in agreement and reported in a timely manner, the estimated aid entitlement may be adversely affected. Management expects any differences between estimated and actual data will be insignificant.

Management's estimate of pension and other post-employment benefit liabilities and related items is based on actuarial valuations performed by consultants specializing in those areas.

Management's estimate of useful lives for depreciable assets is based on guidance recommended by the Minnesota Department of Education and other sources. The useful life of a depreciable asset determines the amount of depreciation that will be recorded in any given reporting period as well as the amount of accumulated depreciation that is reported at the end of a reporting period.

Management's estimate of compensated absences liability is based on current employee pay rates, accumulated unpaid leave balances, and the District's policies regarding vacation, sick leave, and other compensated absences. The estimate also considers assumptions regarding the likelihood that employees will utilize or forfeit accrued leave in the future. The compensated absences liability affects the amount reported in the government-wide financial statements. Changes in these assumptions or in District policies could have a significant effect on the amounts reported.

We evaluated the key factors and assumptions used to develop the estimates noted above in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures 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.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Significant Audit Findings (Cont'd)

Disagreements with Management

For purposes of this letter, 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 October 27, 2025.

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 District'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 the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, the Schedules of Proportionate Share of the Net Pension Liability and Employer Contributions, the Schedule of Changes in the District's Total OPEB Liability, and the Notes to Required Supplementary Information, as listed in the table of contents, which are required supplementary information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the statements and schedules listed in the table of contents as supplementary information, which accompany the financial statements but are not required supplementary information. With respect to this supplementary information, 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.

We were not engaged to report on the Board of Education and Administration page, which accompany the financial statements but are not required supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Independent School District #466, Cokato, Minnesota, and is not intended to be, and should not be, used by anyone other than these specified parties.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

October 27, 2025

SCHEDULE OF FINDINGS ON ACCOUNTING ISSUES AND INTERNAL CONTROLS
JUNE 30, 2025

We noted certain matters involving the internal control structure and its operation that we consider being deficiencies in internal control under standards established by the American Institute of Certified Public Accountants. 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.

INTERNAL CONTROL

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the valuation of these factors necessarily requires estimates and judgments by management.

It should be recognized that within the District, an inherent risk is present with certain positions. It is very common for districts such as Independent School District #466, Cokato, Minnesota, to assign many major responsibilities to a few key individuals in an attempt to operate within limited budgets. The inherent risk is again addressed only to maintain the awareness of the internal control structure and to encourage the Board's continual review of financial information at monthly meetings.

GENERAL RECOMMENDATIONS

The purpose of financial statements is to provide the users with insight as to the financial condition and the results of operations of the organization. In order to make financial decisions on a timely basis, financial statements must be prepared timely and correctly.