BradyMartz

October 26, 2026

To the Board of Education
Independent School District No. 485
Royalton, Minnesota

In planning and performing our audit of the financial statements of Independent School District No. 485, Royalton, Minnesota, as of and for the year ended June 30, 2026, 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, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiencies. The matters are discussed in the attached "Comments to Management to Improve Internal Accounting Controls and Procedures." A separate report dated October 26, 2026 contains our communication of a significant deficiency in the District's internal control. This letter does not affect our report dated October 26, 2026, on the basic financial statements of Independent School District No. 485.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of school board and management of Independent School District No. 485, and the Minnesota Department of Education and is not intended to be, and should not be, used by anyone other than these specified parties.

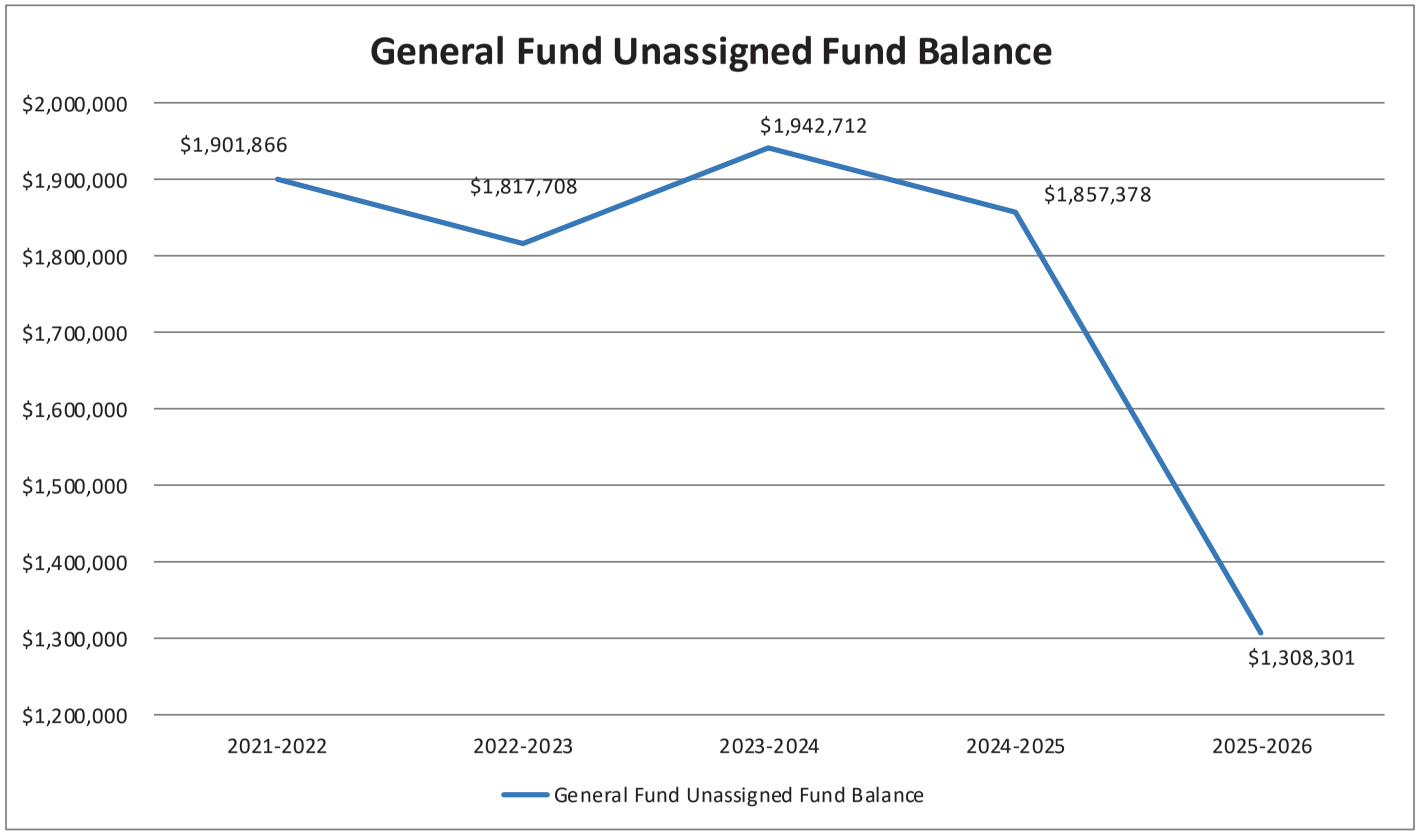
Sincerely,

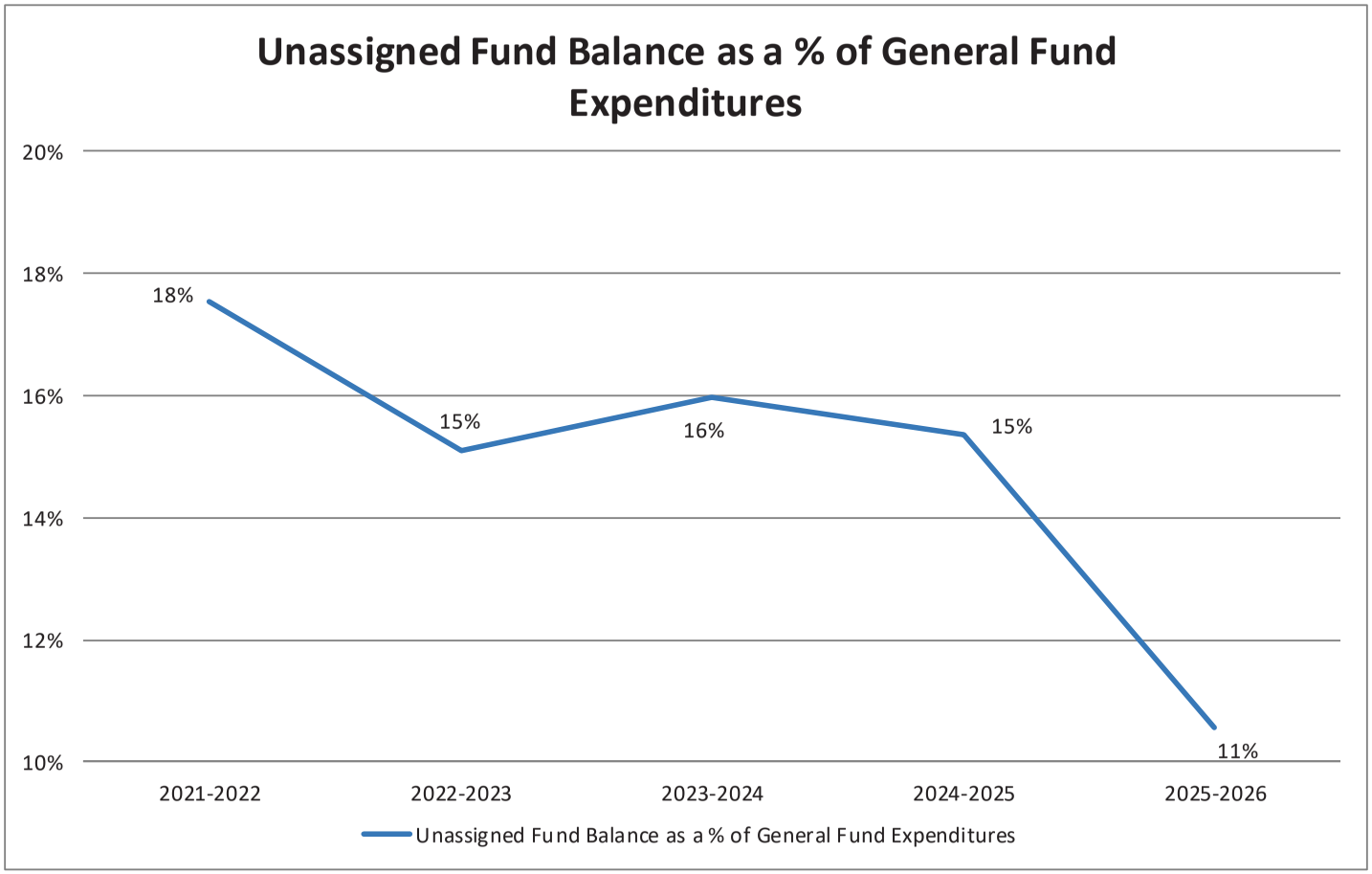
Brady Martz

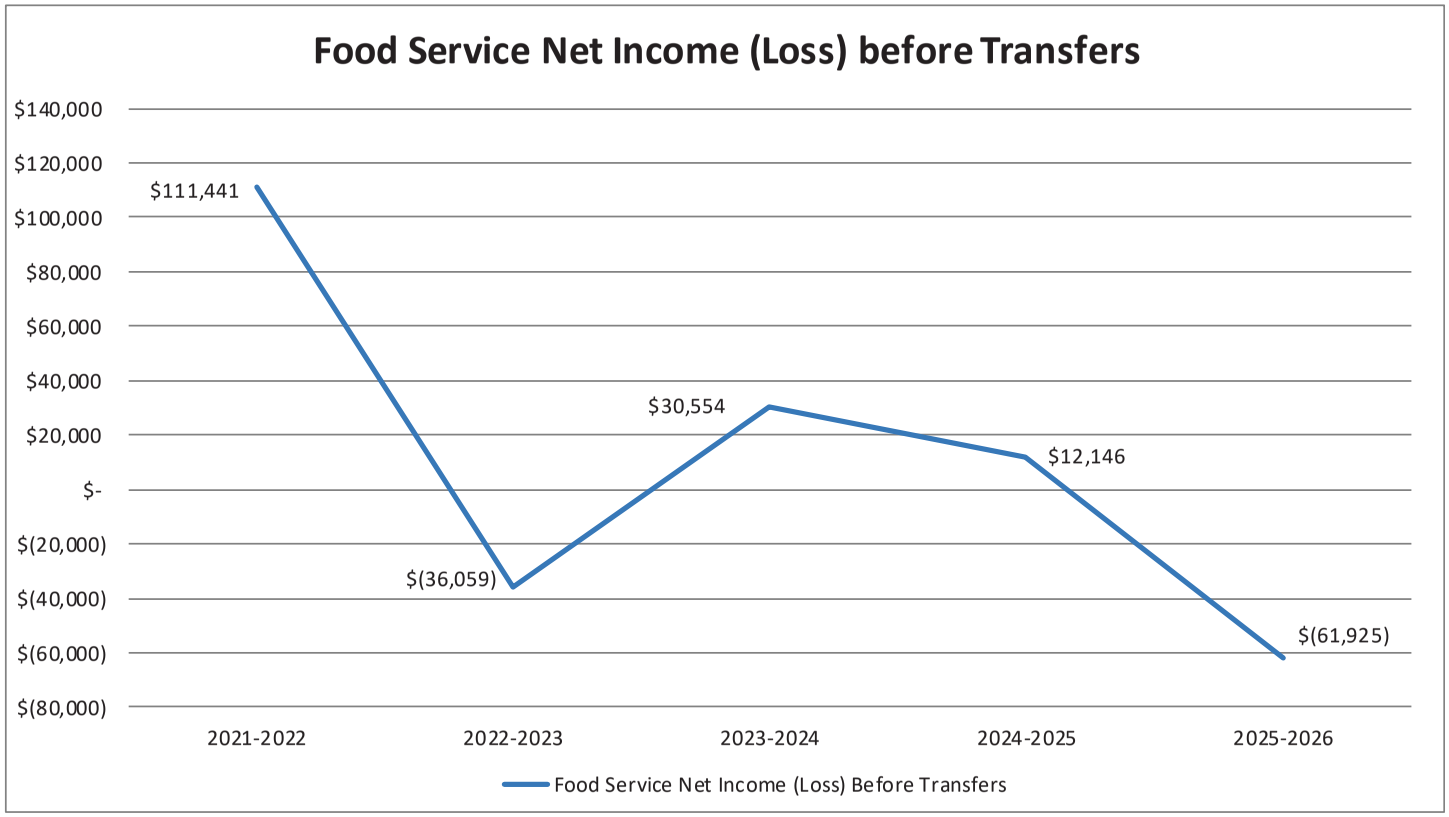
BRADY MARTZ, PLLC
GRAND FORKS, NORTH DAKOTA

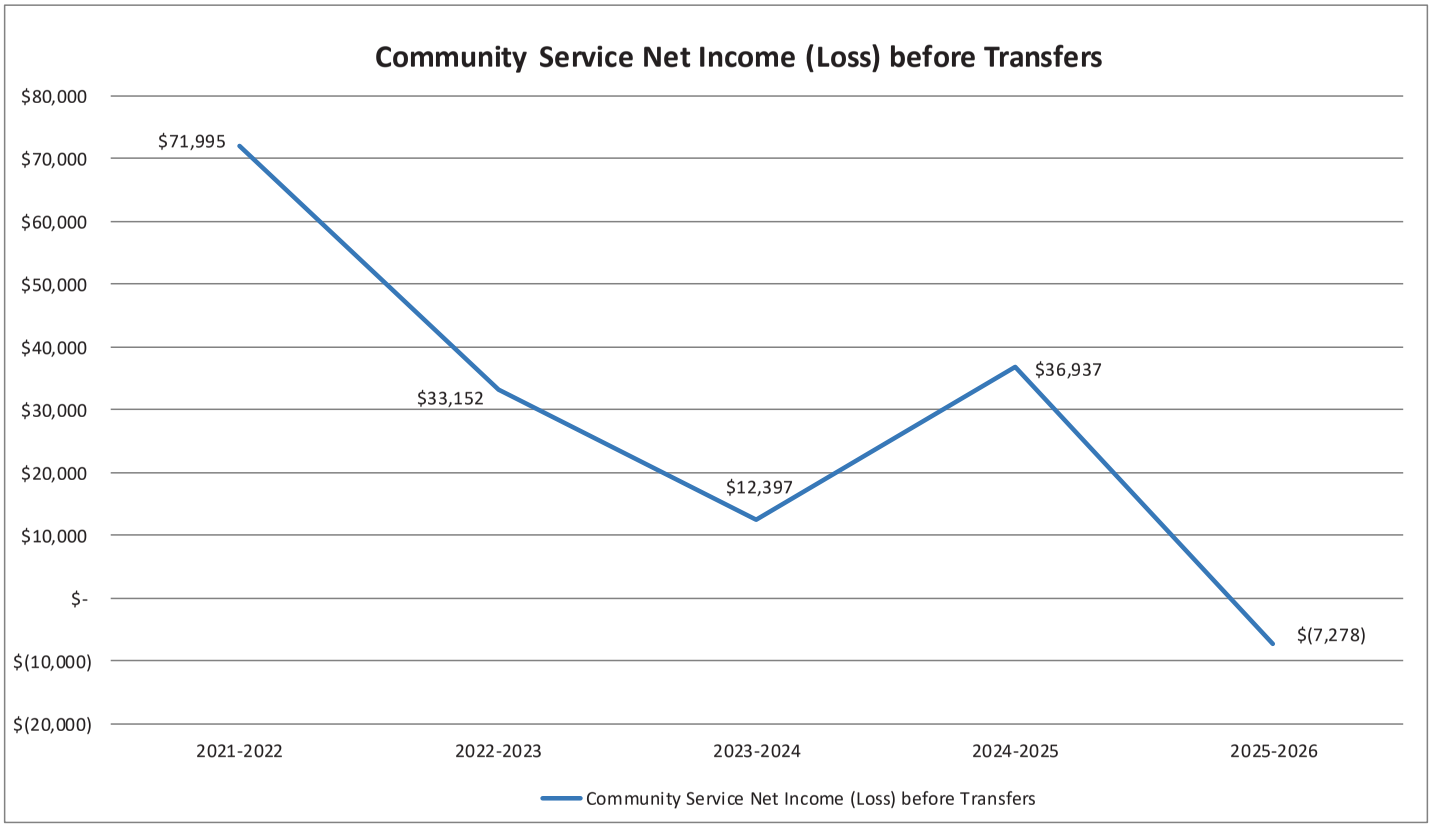
Financial Trends

We noted certain trends involving the unassigned fund balance in the General Fund, and income/losses before transfers in the Community Service and Food Service funds which we would like to bring to your attention. The following information is intended to improve the understanding of changes in the fund balances and result in other operating efficiencies.


General Fund Unassigned Fund Balance
$2,000,000
$1,900,000
$1,800,000
$1,700,000
$1,600,000
$1,500,000
$1,400,000
$1,300,000
$1,200,000
$1,901,866
$1,817,708
$1,942,712
$1,857,378
$1,308,301
2021-2022
2022-2023
2023-2024
2024-2025
2025-2026
General Fund Unassigned Fund Balance


Unassigned Fund Balance as a % of General Fund Expenditures
20%
18%
16%
14%
12%
10%
18%
15%
16%
15%
11%
2021-2022
2022-2023
2023-2024
2024-2025
2025-2026
Unassigned Fund Balance as a % of General Fund Expenditures


Food Service Net Income (Loss) before Transfers
$140,000
$120,000
$100,000
$80,000
$60,000
$40,000
$20,000
$-
$(20,000)
$(40,000)
$(60,000)
$(80,000)
$111,441
$(36,059)
$30,554
$12,146
$(61,925)
2021-2022
2022-2023
2023-2024
2024-2025
2025-2026
Food Service Net Income (Loss) Before Transfers


Community Service Net Income (Loss) before Transfers
$80,000
$70,000
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$-
$(10,000)
$(20,000)
$71,995
$33,152
$12,397
$36,937
$(7,278)
2021-2022
2022-2023
2023-2024
2024-2025
2025-2026
Community Service Net Income (Loss) before Transfers