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December 7, 2021

To Board of Education  
Independent School District No. 31  
Bemidji, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 31, Bemidji, Minnesota, as of and for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the 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 August 31, 2021. Professional standards require that we communicate to you the following information related to our audit.

**Significant Audit Matters**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Independent School District No. 31, Bemidji, Minnesota 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 the year ended June 30, 2021. We noted no transactions entered into by the Independent School District No. 31, Bemidji, Minnesota 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 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 were:

- Management's estimate of the amounts due (receivables) from the Minnesota Department of Education that are based on the enrollment data available at September 13, 2021. 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.
- Management's estimate of amounts due (payable) to employees for severance pay is based upon an actuarial valuation dated July 1, 2019. We evaluated the key factors and assumptions used to develop this payable in determining that they are reasonable in relation to the financial statements taken as a whole. The actuarial evaluation, as adjusted for current year amounts, is the basis for the estimated severance payable at June 30, 2021.

- Management's estimate of amounts due retirees for Other Post-Employment Benefits was provided by an actuarial valuation dated July 1, 2019. We evaluated the key factors and assumptions used to develop this payable in determining that they are reasonable in relation to the financial statements taken as a whole. The actuarial evaluation, as adjusted for current year amounts, is the basis for the estimated OPEB at June 30, 2021.
- Management's estimate of amounts related to deferred inflows and outflows of resources related to pensions and the net pension liability was provided by actuarial valuations dated July 1, 2020. The actuarial valuations were performed in order for the District to implement GASB Statements No. 68, *Accounting and Financial Reporting for Pensions*. We evaluated the key factors and assumptions used to develop these deferrals and liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosures pertaining to pensions and post-employment healthcare benefits in Notes 6 and 7 to the financial statements involve actuarial valuations which are based on significant assumptions and estimates which are used to come up with the associated deferred inflows and outflows of resources and liabilities that are reported in the government-wide financial statements.

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 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. Misstatements uncorrected by management determined to be immaterial, both individual and in the aggregate, to the financial statements taken as a whole include the following:

- \$130,208 in accumulated donations for future projects are included as a liability on the balance sheet instead of restricted fund balance.
- Medical assistance billing not collected during the year were not included in receivables in general fund and government wide financial statements, \$136,716 and \$482,262 respectively.

The following material misstatements detected as a result of audit procedures were corrected by management:

- Adjustments to the net pension liability, net OPEB liability and other adjustments listed on page 23 of the audited financial statements to the convert the governmental fund financial statements to the government-wide financial statements.

#### *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 December 7, 2021.

*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 Independent School District No. 31, Bemidji, Minnesota’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 Independent School District No. 31, Bemidji, Minnesota’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 General Fund budgetary comparison schedule, the Schedule of Changes in District’s Net OPEB Liability and Related Ratios, the Schedule of Investment Returns, the Schedule of the District’s and Non-Employer Proportionate Share of the Net Pension Liability and the Schedule of District’s Contributions, which are required supplementary information (RSI) 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 RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the nonmajor governmental fund financial statements, agency fiduciary funds financial statements, Fiscal Compliance Report and the Schedule of Expenditures of Federal Awards, which accompany the financial statements but are not RSI. 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 Official Directory and the statistical section, which accompany the financial statements but are not RSI. 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 Board of Education and management of Independent School District No. 31, Bemidji, Minnesota, and is not intended to be, and should not be, used by anyone other than these specified parties.

**Board of Education  
Independent School District No. 31**

**4**

**Very Truly Yours,**

*Miller McDonald, Inc.*

**Miller McDonald, Inc.**