

October 7, 2022

To the Board of Education
Independent School District No. 676
Badger, Minnesota

In planning and performing our audit of the basic financial statements of Independent School District No. 676, as of and for the year ended June 30, 2022, 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 our auditing procedures 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 matters that are an opportunity for strengthening internal controls and operating efficiency. These matters are discussed in the attached "Comments to Management to Improve Internal Accounting Controls and Procedures." A separate report dated October 7, 2022, contains our report on significant deficiencies in the District's internal control. This letter does not affect our report dated October 7, 2022, on the basic financial statements of Independent School District No. 676.

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

This information is intended solely for the use of school board and management of Independent School District No. 676, 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 & ASSOCIATES, P.C.
Thief River Falls, Minnesota

Independent School District No. 676
Comments to Management to Improve Internal Accounting Controls and Procedures
June 30, 2022

Fund Balance

The District's fund balance policy is to maintain a minimum unassigned general fund balance of not less than 5 percent and no more than 30 percent of the general fund's current annual operating expenditure budget. As of June 30, 2022, the District's unassigned general fund balance is 34 percent of the annual operating expenditure budget. Over the last five years, the District's general fund balance has decreased approximately \$300,000.

General fund balance and average daily membership trends are as follows:

| | General Fund Balance | Total Percentage Change | Adjusted Average Daily Membership |
|------|-------------------------|----------------------------|---|
| 2018 | \$ 2,278,617 | 0.8 | 230 |
| 2019 | 2,000,091 | (12.2) | 218 |
| 2020 | 2,115,852 | 5.8 | 232 |
| 2021 | 2,134,654 | 0.9 | 223 |
| 2022 | 1,978,193 | (7.3) | 224 |

Recommendation: The Board of Education and superintendent will need to take into consideration enrollment and to continue to monitor costs when preparing the annual budget.

Special Education Tuition Billing

We noted during our audit that the preliminary 21-22 District tuition bill calculation reported a net revenue amount of \$14,659. The final 20-21 District tuition bill calculation reported a net revenue amount of \$85,833. District could not support the decrease in tuition billing net revenue.

Recommendation: The District should continue to monitor and review the reporting of these students.

Budgets

We noted that the original budget approved by the board did not match the budget entered into the District's financial software.

Recommendation: We recommend that the budgets approved by the board be reconciled to the budgets reported in the District's financial software.

County Form 51

We noted that the District's taxes receivable balance did not agree with the County's balance.

Recommendation: We recommend that the Superintendent contact the County to reconcile the difference.