

October 4, 2023

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, 2023, 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 4, 2023, contains our report on significant deficiencies in the District's internal control. This letter does not affect our report dated October 4, 2023, 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, 2023

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, 2023, the District's unassigned general fund balance is 15 percent of the annual operating expenditure budget. Over the last six years, the District's general fund balance has decreased approximately \$870,000.

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
2023	1,405,225	(29.0)	216

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.

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.

County Apportionment

We noted that the County was recording powerline apportionment in the Community Service Fund as property tax revenue. These dollars should be reported in the General Fund as apportionment revenue.

Recommendation: We recommend that the Superintendent work with the County to ensure there is sufficient documentation from the County when paying powerline apportionment.

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.