

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

**MONOMOY REGIONAL
SCHOOL DISTRICT**

Management Letter

Year Ended June 30, 2021



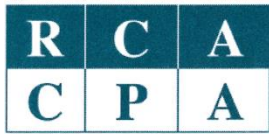
**MONOMOY REGIONAL
SCHOOL DISTRICT**

MANAGEMENT LETTER

YEAR ENDED JUNE 30, 2021

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The Honorable School Committee and Superintendent
Monomoy Regional School District
Chatham, Massachusetts

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Monomoy Regional School District, (the "District") as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, 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 opinions 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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Based on our limited procedures we did not identify any deficiencies in internal control that are identified as material weaknesses or significant deficiencies.

This communication is intended solely for the information and use of management, the School Committee, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
January 12, 2022

INFORMATIONAL ITEMS

Overview

Fiscal year 2021 was an interesting year for the District. It began with much uncertainty due to the global Covid-19 pandemic. State Aid was unknown, Federal Stimulus was in flux and the return of Covid, social distancing, and mandatory masking once again became a challenge. In the end the District survived the year as the State Legislature authorized a level funded State Aid distribution and Federal Stimulus programs were ultimately approved. The District also managed its budget very closely and was able to end the year with a relatively minor reduction in general fund balance.

The following are some key financial highlights:

1. The School's general fund balance decreased to over \$3.0 million, which included over \$1.9 million of unassigned fund balance.
2. The OPEB fund increased to over \$900,000.
3. Debt decreased to \$21 million.

We believe this strong financial position will continue to leverage the District's future financial efforts. ef

OPEB Accounting Standards

In accordance with GASB 75, the School continues to report its OPEB liability in its basic annual financial statements. As of June 30, 2021, the liability increased to \$68.8 million which is \$2.8 million greater than the prior year. This was primarily due to the discount rate being lowered to 2.16%. The District's funding policy in relation to its total liability is not significant, thus it must use the investment yield of a municipal bond rather than a greater rate if the contribution were more robust.

While the District currently has over \$900,000 set aside in an OPEB trust, its long-term strategic planning sessions should include a discussion of possibly increasing the \$100,000 annual contribution it currently makes. Such efforts, if implemented, could help the District increase its discount rate thereby lowering its liability.

Network Security

We continue to remind our clients to remain vigilant in the fight against cybercrime. Municipal entities have and continue to be targets for cyber fraud, phishing schemes, ransomware, etc.

This has become very important as the recent pandemic has opened up opportunities to work remotely, and while this is efficient, the equipment used to facilitate these processes could also become targets if not protected adequately.

While the District has a very strong and robust security system in place, we recommend that the District continue to monitor the changing cybersecurity landscape and maintain its security systems and employee training accordingly.

Fraud Prevention

Fraud prevention is an area that should be under ongoing evaluation. Evaluating cash processes of cash handling areas annually through effective risk assessment and proper safeguards is an effective control to protect the District from threats associated with fraud. We discuss this with management annually.

Management conducts many of its own internal processes to prevent and detect fraud. Periodically reevaluating departmental cash handling procedures to make sure they are adequate and effective is an ongoing recommendation.

New GASB pronouncements

The GASB has approved one new pronouncement that will go into effect in fiscal year 2022.

GASB 87 which requires the District to revise the manner in which it accounts for its operating leases goes into effect in fiscal year 2022. Previously, governmental entities reported their leases similarly to how private entities reported leases under ASC 840.

While finance leases would be capitalized on the balance sheet, operating leases would be reported in the footnotes. However, GASB 87 requires that all operating leases now be accounted for as finance leases.

As a result, leases previously classified as operating leases will not only be capitalized on the statement of net position, but also be reported differently in the statement of activities.

FINDINGS AND RECOMMENDATIONS

Payroll

While reviewing the District's payroll process, we observed that journal entries are made to post payroll information from the payroll warrants to the District's general ledger. The payroll warrants are authorized by the School Committee and include direct deposit information and withholdings, however live checks for employees who do not direct deposit are not included in the warrants and thus never authorized by the School Committee.

We understand that upon bringing this to the attention of the District Finance Office, this policy was revised to properly reflect all authorizations, effective fiscal year 2022 and as such, has been satisfactorily resolved.