

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

**MONOMOY REGIONAL
SCHOOL DISTRICT**

Management Letter

Year Ended June 30, 2022



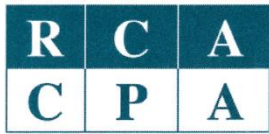
**MONOMOY REGIONAL
SCHOOL DISTRICT**

MANAGEMENT LETTER

YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	<u>Page(s)</u>
Transmittal Letter.....	1
Informational Items.....	2 – 3



ROSELLI, CLARK & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

500 West Cummings Park
Suite 4900
Woburn, MA 01801

Telephone: (781) 933-0073
www.roselliclark.com

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, 2022, 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
February 15, 2022

INFORMATIONAL ITEMS

Overview

The District's operating results continued to improve during fiscal 2022. The operating performance increased unassigned fund balance by about \$750,000 to almost \$2.7 million as the District expenditures were less than budget by about that same amount. In addition, despite a large earnings loss, the OPEB fund managed to maintain an approximate \$0.9 million balance.

It is important that the District continue to manage its budget effectively as macro-economic conditions related to inflation peaking near 40 year highs have caused the Federal Open Market Committee to increase rates at a historic pace, causing the District to expect challenges in other areas that it has not faced in many decades:

1. Wage inflation – the ability to maintain quality employees at reasonable wages.
2. Interest rates – the ability to finance capital projects at reasonable financing costs.
3. Construction inflation – the ability to complete capital projects at budgeted costs.
4. Energy inflation – the rising costs of oil, gas and electricity.
5. Goods and services – the supply chain disruptions impacting efficiency and cost of delivery of services.

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, 2022, the liability decreased to \$58.2 million which is \$10 million less than the prior year. This was primarily due to the discount rate being increased to 4%. 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.

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.

A recent high profile cyber-attack caused a school district to shut down for days which highlights more than ever the need to continually monitor this.

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.

Investment Income

At year-end, the District carried over \$12 million in cash and equivalents. Recent actions by the Federal Oversight Market Committee to raise the rate on borrowings significantly have begun to have a similar impact on investment yields. Many short-term instruments are currently approaching 5% yields and are liquid and legal borrowings in Massachusetts.

This comment serves as an alert to the District that investment strategies not available to the District in at least 20 years are beginning to present themselves, and could be financially beneficial. Each \$1 million invested could return \$40,000, using an effective safe and liquid strategy. This would be a significant increase over the \$5,000 earned in fiscal 2022.