

# MILFORD CENTRAL SCHOOL

JUNE 30, 2021

## MANAGEMENT LETTER RESPONSE AND CORRECTIVE ACTION PLAN

The following is management's response and corrective action plan to the recommendations noted in the Management Letter and Financial Statements for the year ended June 30, 2021.

### **MCSD - Excess Fund Balance:**

The unassigned balance of the District's General Fund exceeds 4% of the subsequent year's budget. It is 9.410% of the subsequent year's budget.

On an ongoing basis, the School Business Manager, the Superintendent, and the Board of Education discuss fund balance during the budgeting process, current reserve balances, and the option of authorizing additional legal reserves that would be appropriate for the district.

As a result of the COVID 19 pandemic the district did not incur certain budgeted expenditures during the school year as students were remote for part of the year and many activities that were budgeted for did not occur. As a result, the district ended the year with a higher than 4% unassigned fund balance.

The School Business Manager, the Superintendent and the Board of Education have discussed going out to the voters for approval to set up a Capital Reserve in order to fund necessary capital improvements in May 2022. The district is currently in discussions with its architects and fiscal advisors in relation to the needed capital improvements in accordance with the last Building Condition Survey and the architects review of the building. Going forward, the establishment of such reserve will help to prepare the district for future needs as well as address fund balance concerns.

### **MCSD – Fixed Asset Accounting:**

During the review of third-party prepared schedule of fixed assets, the auditor noted that the major capital project was added to the schedule prior to the completion of the project within the capital projects fund. They also noted that the cost of the project did not agree to the cumulative balance of the project. The district relied on the third party to determine the capitalized costs. The district capitalization policy basically follows the guidelines of the state, which adopts Generally Accepted Accounting Principles. Those principles state that the entire cost of placing an asset in service be included in historical cost.

The Business Manager is reviewing the capital project costs related to fixed assets. The project will be finalized by calendar year end and the financial statements for the school year ending 6/30/2022 will properly report the cost of the project for capitalization.

