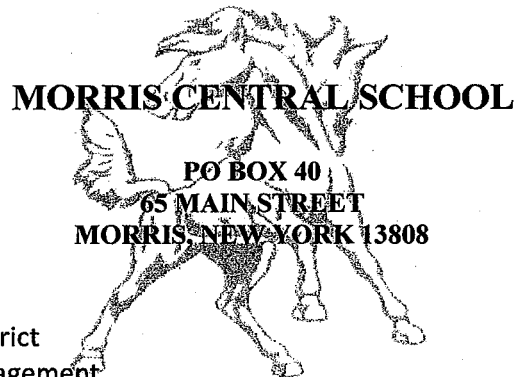


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Unit Name: Morris Central School District
Audit Report Title: Fund Balance Management
Audit Report Number: 2023M-47 2023

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the following explanations.

Audit Recommendation:

Develop and adopt budgets that include reasonable estimates for appropriations and the amount of fund balance that will be used to fund operations.

Implementation Plan of Action:

The Board of Education and District officials will engage in transparent budget development processes that include reasonable estimates for appropriations and expected fund balance expenditures. Working in collaboration with the BOCES Shared Business Office, Auditor, and Independent Financial Advisors, we will ensure our budgets are best suited to plan for and meet the needs of our learners while also appropriately allocating funding in a way that is mindful of the expectations of this community. Our budget development process will begin officially in December of 2023 and go out for a vote to our community in May of 2024.

Audit Recommendation:

Discontinue the practice of appropriating fund balance that is not needed or used to finance operations.

Implementation Plan of Action:

The long-range financial plan presented by our fiscal advisors predicts a steady decline of our existing fund balance over the next five years, in which the District is annually adjusting expenses to remain solvent. Our recently approved 23-24 school budget maintains the tax levy significantly below the tax cap while keeping spending in check. Our working long-range financial plan is available on our website and by contacting the District office. The long-range financial plan was presented to the Board of Education in March of 2023 and is reviewed on an annual basis.

Audit Recommendation:

Develop a plan to reduce surplus fund balance in a manner that benefits District taxpayers. Surplus funds can be used for:

- Reducing District real property taxes,
- Funding one-time expenditures, such as capital improvements,
- Funding needed reserves, and
- Paying off debt.

Implementation Plan of Action:

During the 22-23 school year, voters approved a Capital Project that will address critical repairs needed to failing infrastructure. As part of this approval, 1 million dollars was spent out of our reserves. Additionally, this year a boiler failed and we needed to spend unanticipated funds on this one-time expense. The District will be working in conjunction with our External Auditor to determine additional reserves needed and the level of funding for each of those reserves, including preparing appropriately for the forecasted transition to an electric transportation fleet. At the November 2023 Board of Education meeting, the auditor recommended the creation of an additional vehicle reserve.

Audit Recommendation:

Review reserve fund balances and develop a plan to reduce balances to reasonable levels or use them to fund operations in accordance with applicable statutes.

Implementation Plan of Action:

Since the conclusion of the 20-21 school year, we have reduced our unassigned fund balance by an overall 59.75%. The Tax Certiorari Reserve account is expected to have a balance of \$5,015 at the end of the 22-23 school year, representing an 88% decrease. Additionally, we have not made additional contributions to our Unemployment Reserve or Employee Benefit Accrued Liability Reserve since 2020.

Audit Recommendation:

Adopt a written reserve fund policy that provides the rationale for reserved money, optimal or targeting funding levels, and conditions under which the reserves would be used.

Implementation Plan of Action:

Our Board of Education has consistently been abreast of our Reserve Plan and will take action to adopt a written policy that meets the recommendations of our audit. The Reserve Plan will be posted on our website and available at the District Office by June 2024.

Respectfully submitted,



Jamie Maistros
School Superintendent