

October 13, 2022

Ms. Amy Pedrick, CPA West & Company, CPAS, PC
96 North Main Street
PO Box 1219 Gloversville, New York 12078

Re: 2021-2022 Audit and Management Comments - Corrective Action Plan

Dear Ms. Pedrick,

This letter is in response to the Management Letter that relates to the Greater Johnstown School District Audited Financial Statements and Supplemental Schedules, dated June 30, 2022. Following each finding is the District's response to the finding and its corrective action plan, including the status of the implementation of the corrective plan.

Prior Year Findings for 2021-2022

- I. **School Lunch Fund Deficit:** The School Lunch Fund should be self-supportive and not require substantial loans or transfers from other funds to operate. It is recommended that management and the Board review this situation and develop a plan to eliminate the existing fund equity deficit and reduce the interfund loan balance.

District Response: The 2020-2021 financial statements reflected a prior condition of a school lunch deficit of \$44,196 from operations and a deficit ending fund balance of \$331,655. For the fiscal year ending June 30, 2022, the school lunch fund had a surplus of \$294,839 from operations and a deficit ending fund balance of \$36,816.

The reduction in the deficit ending fund balance, year to year, shows a significant improvement in the financial condition of the school lunch fund. The District continues to recognize the dynamics at play in consideration of a self-supportive school lunch fund, especially at a time of inflation, supply chain impacts, and the costs of food and other commodity increases. We continue to utilize our long-range planning, and strategic efforts to control labor and benefit costs, by contracting through Capital Region BOCES to shift costs to aided, shared services, in order to create a State Aid Revenue stream for the school lunch fund, and carefully examining our staffing requirements on a continuous basis.

- II. **Extraclassroom Activity Funds:** We recommend that the District and all the clubs review the NYS (New York State) Pamphlet #2 and ensure all Extraclassroom Activity Funds are in compliance with these regulations.

District Response: After one year of near, inactivity (2021-2022), individual extra-classroom treasurers, the Assistant Principal at the Junior-Senior High School, and the extra-classroom auditor will review all extra-classroom accounts to determine whether they will be active in the current school year (2022-2023). Following two years of inactivity, the Superintendent of Schools will make recommendations to the Board of

Education to continue funding extra-classroom adviser stipends. The health and safety of students and staff will affect any determination to continue funding, in any case.

Special orientation meetings and reviews of extra-classroom procedures pertaining to NYS Pamphlet #2 will be conducted annually in the fall of the 2022-2023 school year by the Assistant Principal and School Business Manager. Included will be the extra-classroom treasurer and all advisers responsibly appointed by the Board of Education. Such meetings will continue annually in the fall of subsequent years. In addition, forms are provided for use for fundraising, which include a profit and loss statement and inventory control forms. Administration has provided an end-user form for fundraising, which allows for the documentation of profit and loss, as well as inventory control. Expectations for the use of this form have been outlined for advisors. The extra-classroom treasurer will audit the activity of each club at least quarterly during the 2022-2023 school year to ensure that appropriate documentation is provided for all club-related activities. The School Business Manager will continue to perform quarterly audits of financial activity during the 2022-2023 school year.

- III. **Confirming Purchase Orders:** We recommend that the District ensure all purchases are made from proper purchase orders, rather than confirming purchase orders.

District Response: The District will continuously improve its close review of purchase orders and has implemented additional training with the clerical staff and administrators regarding the purchasing process for the fall of the 2022-2023 school year. The School Business Manager will update the claims review checklist used by the Claims Auditor and conduct a training session with the Claims Auditor during the 2022-2023 school year and annually thereafter to ensure that all regulations are followed. The Purchasing Agent will continue to communicate through an annual memo to all District employees, reminding them of their responsibility to purchase for the District only with prior approval.

Further, upon examining this finding, for 2020 –2021 five (5) instances were discovered of confirming purchase orders and three (3) instances were identified for 2021-2022, which notes improvement in process. We will continue to refine our processes in order to prevent confirming purchase orders in the future.

- IV. **Unassigned General Fund Balance:** We recommend that the Board review and modify its plan to reduce the District's unassigned General Fund balance to the statutory limit.

District Response: The Superintendent, Assistant Superintendent, the District's Fiscal Advisor, and the BOE Audit Committee are reviewing the District's reserve and long-range financial plan. Recommendations will be made to the Board of Education to continue to fund strategic reserves using the excess fund balance on an annual basis, commencing with the 2022-2023 school year. Further, the District will continue to

support advocacy along with our colleagues on legislation that raises the unassigned General Fund balance from 4% to a higher percentage.

We appreciate the courtesy and assistance offered by your firm before, during and subsequent review of our financial statements. I would also like to commend the Business Office team for their hard work and dedication to making improvements in processes and systems, which resulted in no current year findings.

Sincerely,

AD Koster

Alicia D. Koster
Assistant Superintendent