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learning and  
excellence.*



**Dr. Brian Schmitt,**  
*Superintendent*

## Corrective Action Plan

**Unit Name:** Genesee Valley Central School District  
**Audit Report Title:** Financial Management  
**Audit Report Number:** 2019M-231

April 21, 2020

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.

### **Recommendation 1:**

*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(s):**

The Board of Education and Administration will make every attempt to adopt more accurate and structurally balanced budgets based on historical or known trends. Many expenses are unknown during the time the budget is constructed and the Board makes every effort to plan for these unforeseeable expenses while keeping the tax levy increase to a minimum. The Board is extremely conscious of taxpayer's funds and that is reflected in the less than 2% total increase in taxes over this 3-year period. While this report indicates the District overestimated appropriations by an average of 6% between the years of 2016-2019, we believe our budgeting methodology is justifiable.

The most significant areas that reflected these inconsistencies were in programs for students with disabilities and employee benefits. The District currently has 43 employees who elect not to participate in the health plan. Although highly unlikely, if these employees were to join the family health insurance plan, this would cost the district over \$750,000. There is also a possibility that employees who do not participate in the health plan leave the district and are replaced with an individual who does participate. These are expenses that the District needs to properly budget for. The District successfully achieved several grants over the past few years that help offset some benefit expenditures from the general budget. These grants are short-term and are driving some of the overestimates in appropriations in the benefits area.

Programs for students with disabilities is the most unpredictable area of the budget. The District has many students with high-cost needs that fluctuate significantly on an annual basis, making it difficult to budget for. We have several students that attend BOCES programs, many of which cost over \$55,000 per student during the 2018-19 school year. With the enrollment being

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uncertain throughout the school year, the District must budget accordingly to accommodate the needs of students.

The District also receives grants to help offset teacher salaries and benefits included in programs for students with disabilities. These are federal grants that could be removed at any time. The District still includes these expenses in the general budget to prepare for the worst-case scenario and ensure our students have the resources they need.

**Implementation Date and Person Responsible for Implementation:**

The Board of Education and Administration will continue to use five-year projections in an attempt to more accurately budget for employee benefits and special education costs. The District will take a closer look at how benefits are budgeted for and adjust accordingly. The Director of Special Education will continue to evaluate student program needs and ensure the programs are in the best interests of the students. Beginning with the 2020-21 school year, the District will monitor these programs quarterly and continue to look at ways to decrease costs while providing students with the services needed.

The District feels it is necessary to continue to budget for programs that are funded through federal grants. If these grants were to go away, our students and staff would be significantly impacted.

**Recommendation 2:**

*Reduce surplus fund balance to comply with the statutory limit and use the excess funds in a manner more beneficial to taxpayers.*

**Implementation Plan of Action(s):**

The District will continue to monitor fund balance to comply with the statutory limit and evaluate excess funds more beneficially. The Board of Education and Administration are looking at ways to decrease the amount of appropriated fund balance in future budgets and reduce fund balance to closer comply with the statutory limit. The comprehensive reserve plan will be updated to assist the District in better monitoring excess funds.

The District has researched the practice of using appropriated fund balance to fund operations for many years. Our District's appropriated fund balance accounts for approximately 1.75% of our overall budget. While we were fortunate enough to not have to access these funds over the time period of this audit, we will continue to assess on an annual basis and budget accordingly for tight budget years.

**Implementation Date and Person Responsible for Implementation:**

The Board of Education and Administration will continue to evaluate fund balance on an annual basis. The District will look at ways to reduce appropriated fund balance in the upcoming budget years while building the budget for future success. The foundation of the New York State budget will

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need to be taken into consideration while adjusting these funds. A more specific financial plan will also be assessed to assist with excess fund balance.

**Recommendation 3:**

*Adopt a comprehensive written reserve fund policy, including plans for the use of reserves in accordance with applicable statutes.*

**Implementation Plan of Action(s):**

The Board of Education and Administration will review the reserve fund policy and ensure the policy aligns with the existing comprehensive reserve fund plan. The Board and District Officials feel the funding levels of the established reserves are appropriate and allow the District to be prepared to accommodate unforeseen emergencies and significant unplanned expenditures. The District was fortunate to not utilize three reserve funds over the last three years. The District feels these levels are reasonable and will be utilized for their intended purpose as the need arises. The Board and District Officials will continue to review the policy and plan on an annual basis and make necessary changes to create a more detailed plan in the future.

**Implementation Date and Person Responsible for Implementation:**

The Audit Committee, Superintendent, and Business Official will be reviewing all reserves to ensure funding levels and use of reserves is appropriate. The District intends to utilize the Retirement Contribution Reserve, cited in this report, during the 2019-20 school year and will continue during future budget years. The Board of Education and Administration will review the reserve fund policy and reserve plan and make any necessary changes to become effective during the 2020-21 school year.

If you have any questions in regards to this Corrective Action Plan, please feel free to contact me at (585)268-7900.

Sincerely,

A handwritten signature in dark ink, appearing to read 'B. Schmitt'.

Dr. Brian Schmitt