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## Rush-Henrietta Central School District

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June 1, 2016

Edward V. Grant, Jr., Chief Examiner  
Division of Local Government and School Accountability  
Office of the State Comptroller  
The Powers Building  
16 West Main Street – Suite 522  
Rochester, New York 14614

Dear Mr. Grant:

This letter outlines the Corrective Action Plan by the Rush-Henrietta Central School District in response to your Report of Examination covering Financial Management and Separation Payments for the period July 1, 2012 – October 30, 2015. This corrective action plan was reviewed and approved by our Board of Education on June 14, 2016.

*Audit Recommendation #1: Develop and adopt budgets that reflect the District's actual needs and plans and include realistic estimates for revenues, expenditures and fund balance use based on historical trends and other identified analysis.*

### District Response

The district utilizes a comprehensive, multi-faceted budgeting process which commences in the August preceding the budget year and includes a detailed analysis of every position within the district as well as an analysis of every line item within the budget. A strategic five year forecast, based upon the historic trends of the past five years, is also developed and shared with the district's Budget Advisory Council (BAC). Comprised of over thirty members including a composite of community members, board members, employees and administrators the BAC advises the Superintendent on budget priorities and direction. District employees are encouraged to submit budget proposals and the Board of Education is involved in the ongoing preparation of the budget. This process culminates the following April with a public hearing and the board adoption of the final budget proposal to be submitted to the voters.

Stakeholders involved in the process help determine the priorities of the Program and Services needed to support students while ensuring the tax levy is reasonable and palatable to the community. Part of this process is explaining the estimates assumed in the budget and how actuals may deviate from these estimates so allowances are made to ensure the preservation of the Programs and Services that were committed to as part of the budget. Longer term strategic

consequences are also considered during the budget development process. Inherent in any budget is the reality that a budget is an estimate and that actual revenues and expenditures will deviate from the estimates as time unfolds. However, the elected Board of Education will react to these deviations in a manner that they perceive is best for the taxpayers and students of the district.

Since the Governor's performance grants expire during the 2015-16 fiscal year there will no longer be a deviation in the general fund as a result of these grants.

Now that we live under the constraints of the property tax levy cap strategic budgeting is vital because of the permanent consequences of each decision. District schools and programs are highly valued and supported by our community as evidenced by our budget approval rates of over 70%. Our Board of Education values that trust and is keenly aware of the consequences of both budget and program decisions and balances both in the best overall interest of the community.

*Audit Recommendation #2: Include the funding of reserves in its adopted budget each year to provide increased knowledge and transparency for the District's voters.*

#### District Response

All funding of reserves has always been approved by either voters and/or the Board of Education. Transfers to the Capital Reserves from building and transportation aid were approved by the voters in approving the establishment and funding method of these reserves. However, in response to the audit report we will also begin budgeting the receipt of the aid in the annual budget and an associated transfer to our capital fund.

Other reserve funding, from unforeseen budget surpluses, will continue to be approved by the elected Board of Education as allowed by law.

*Audit Recommendation #3: Approve all transfers to reserves before they are made.*

#### District Response

All transfers to reserves will continue to be approved by either the voters and/or by the Board of Education prior to the transfer being made.

*Audit Recommendation #4: Review the reserves to determine if the amounts reserved are necessary and document support to justify the targeted funding levels. If deemed necessary, the Board should research the origin of the existing unemployment reserve and if unable to determine the origin of the reserve, reestablish the reserve in conformance with General Municipal Law. To the extent they are not necessary, transfers should be made to other reserves established and maintained in compliance with statutory directives or used to benefit the District.*

#### District Response

Each year the Board of Education reviews and approves the Strategic Plan for the Use of Reserves. This plan includes the targeted funding levels as well as the reasoning behind those targets. Any funding of reserves beyond this plan will be submitted to the Board of Education for approval prior to the transfer being made. As part of this review if any reserves are deemed to be no longer needed in whole or in part, the Board of Education will determine whether to transfer the excess to other reserves or to apply towards the tax levy.

Because of the age of the Unemployment Reserve the Board of Education will be requested to reestablish the reserve in conformance with General Municipal Law.



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*Audit Recommendation #5: Review the inappropriate separation payments identified in this report and direct the District's legal counsel to take whatever appropriate action within the law to recover those funds.*

### District Response

Legal counsel will be asked to review these separation payments and determine if the Board of Education has the authority to authorize the payments. If the legal opinion determines the payments to be inappropriate, proper guidance will be sought as to the appropriate action towards recovering these funds.

*Audit Recommendation #6: Approve any permissible carryover of administrator vacation days as provided for in the CBA.*

### District Response

Typically, the Superintendent has delegated this responsibility to the Assistant Superintendent of Human Resources. However, to eliminate any ambiguity the Superintendent will also approve these payments going forward.

*Audit Recommendation #7: Develop procedures to govern separation payments to ensure they are consistent with the terms and conditions of the CBAs.*

### District Response

Terms and conditions are explicitly stated in the Collective Bargaining Agreements. Going forward, the contemporaneous documents utilized in making the calculations will be maintained for future review.

*Audit Recommendation #8: Ensure that separation payments are made according to the terms of the negotiated CBAs. Changes to these terms should be agreed to by the parties.*

### District Response

In response to the audit recommendation, the District has taken several steps to ensure that separation payments will be consistent with the terms of the CBAs. These include:

- The Human Resources department will create written verification of all online records of employee accruals that are used to calculate payments. This verification will be attached to the personnel directives authorizing the payments that are provided to the Assistant Superintendent for HR or Assistant Director for HR for their approval.
- The HR department has changed its procedure to ensure that any teacher separation payments related to retirement be made only for the school year in which the teacher has retired, per the teachers' unit CBA.

- The HR department has revised the form used by administrators' unit members to request carryover of vacation days from one school year to the next. The form now requires the superintendent's approval and signature for the carryover request.

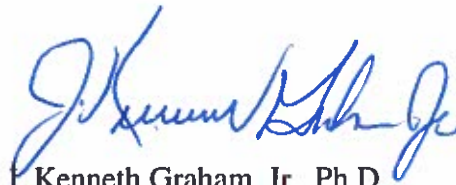
Most often, separation payments are made consistent with the terms of the CBAs. In the few instances where the district determines it is in its best interest, as approved by the Board of Education, deviations will be documented and formally approved by the Board of Education.

The Rush-Henrietta Central School District Board of Education takes very seriously its fiduciary responsibility over both financial and instructional matters. It will continue to strive to provide responsible fiscal oversight of the district while delivering an instructionally sound academic program.

Very truly yours,



Diane McBride  
President, Board of Education



J. Kenneth Graham, Jr., Ph.D.  
Superintendent of Schools