



Mr. Thomas J. Colabufo  
Superintendent

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Office of the New York State Comptroller  
Division of Local Government & School Accountability  
PSU - CAP Submission  
110 State Street, 12<sup>th</sup> Floor  
Albany, NY 12236

Re: Corrective Action Plan Response - Audit 2022M-196

The Central Square CSD is submitting the following in response to audit 2022M-196.

*Recommendation #1.* Develop a plan to use excess surplus fund balance in a manner that benefits taxpayers.

**Response:** The Board and District Officials have already initiated actions to use excess surplus fund balance in a manner that benefits taxpayers. There were no tax levy increases for fiscal years 2021-22 and 2022-23. This allowed tax rates across the townships to decrease, reducing property taxes. At the May 2022 vote, \$3.2 million of Fund Balance was approved to be used towards a \$25 million Capital Project. Use of this fund balance towards the project eliminates any unaided project costs; thereby not causing taxes to increase. Lastly, the Board and Officials have and will continue to fund needed reserves.

*Recommendation #2.* Develop a plan for the School Lunch fund to pay back its outstanding interfund advances from the general fund.

**Response:** The Board, District Officials, and external auditors are closely monitoring the School Lunch fund balance. The deficit began in the 2014-15 school year; prior to that fund balance was in a positive position. Steps are taken every year to adjust revenues and expenditures (labor hours, bids, meal pricing) and we even shared the Food Service Director for a few years. This previous school year (2021-22) all District's operated under the "summer option" program; all students ate for free. The program operated in the surplus by \$243,564, decreasing the deficit. The District's poverty indicators have slowly increased over these years. The Director of Food Service will be recommending the District move to CEP (all students eat for free) starting in the 2023-24 year. Once this change is implemented and trends analyzed, a plan to address the outstanding balance will be made. There is a possibility that it will no longer exist.

*Recommendation #3.* Consult with legal counsel to ensure all reserves are properly established.

**Response:** The School Business Manager has reached out to legal and will meet with the audit committee to discuss counsel's recommendation and take actions as appropriate.

*Recommendation #4.* Review the EBALR and consult with legal counsel to develop a plan to reduce the balance to a reasonable level in accordance with statute.

**Response:** Legal has been consulted. The reserve will be reduced annually by the amount of service and termination awards distributed. This will allow the reserve balance to be lowered per statute.

*Recommendation #5:* Properly account for fiscal year-end accrued liabilities, nonspendable fund balance and encumbrances and accurately report the District's surplus fund balance.

**Response:** The School Business Manager has corrected the Health Insurance Cash Requirement and it was moved out of the non-spendable fund balance for the June 30, 2022 year end. Balances due from the special aid funds and school lunch funds will and are being addressed within the respective fund (see response #2 regarding school lunch). Accrued liabilities balances will be reviewed annually at year end for measurability and timeframe.

*Recommendation #6:* Ensure expenditures are recorded, and any related accrued liabilities are reported, only when expenditures have been incurred, are measurable; and will be paid with current resources.

**Response:** The School Business Manager agrees with this recommendation and has enhanced the year end processes to evaluate accrual liabilities prior to close of the year end.

*Recommendation #7:* Ensure fiscal year-end encumbrances represent valid purchases or contractual commitments for the fiscal year in which they originate and are properly supported.

**Response:** District Officials agree with this recommendation. With help from the District Treasurer, the purchasing process has been updated to include better controls over year-end close and firm spending timelines. This allows for the year end to be smoother; everyone is not processing purchase requests at the end of the school year. These changes also help in facilitating recommendation #6.

*Recommendation #8:* Provide the Board with an annual report of all reserve funds, as required by the reserve policy.

**Response:** The School Business Manager has always annually provided the Board with reserve reports. The reports will be updated to include the dates established, amounts paid into, and interest earned for all reserve balances.

The Central Square CSD thanks the comptrollers' office for the review of our fund balance. We continually make every effort to be good financial stewards; make decisions that consider all stakeholders as well as our students, and strive to improve practices.

Sincerely,



Thomas J. Colabufo  
Superintendent

TJC/jb